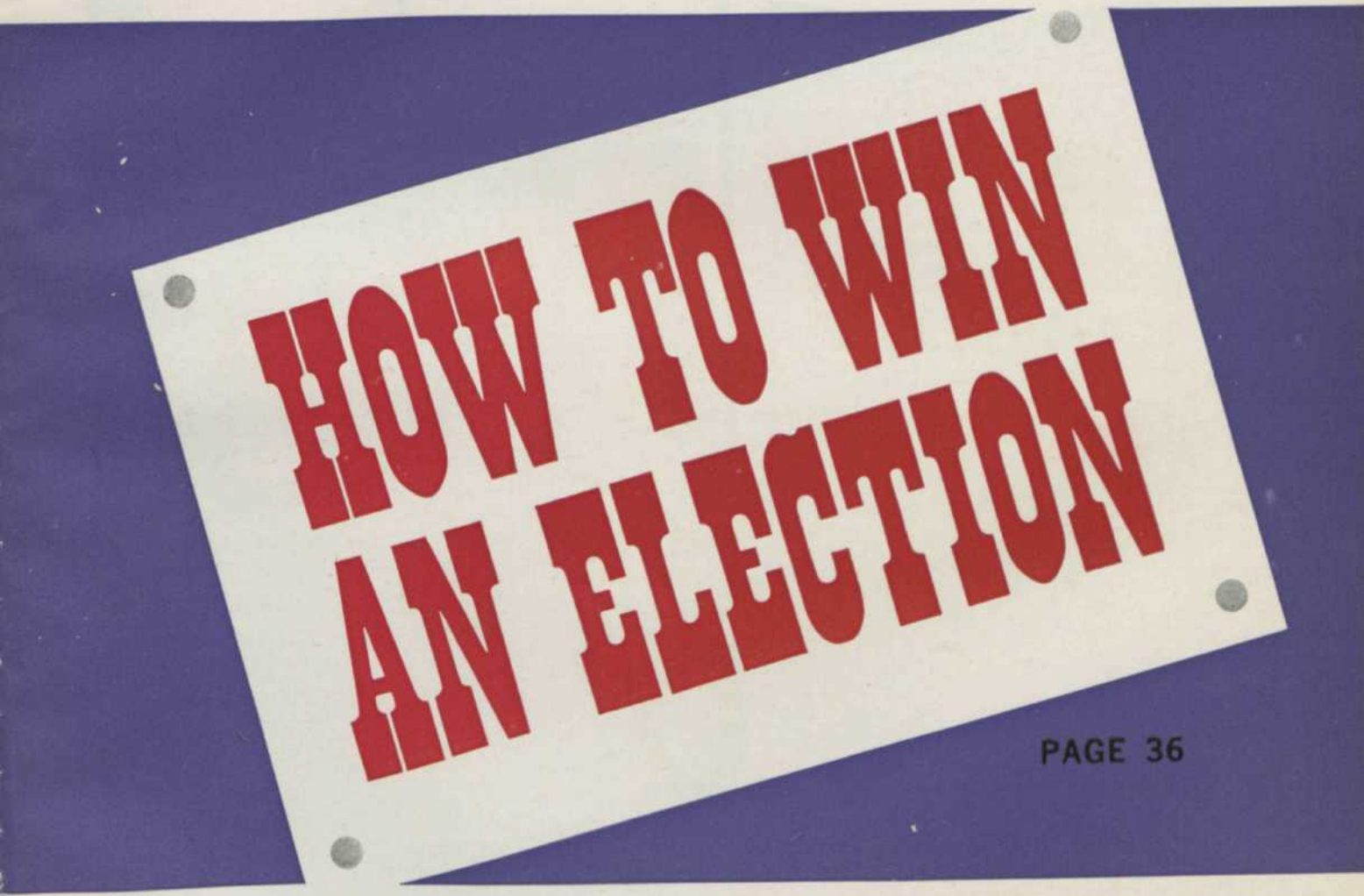
Nation's Business

A USEFUL LOOK AHEAD

AUGUST 1960



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Richer overseas markets await U.S. PAGE 50



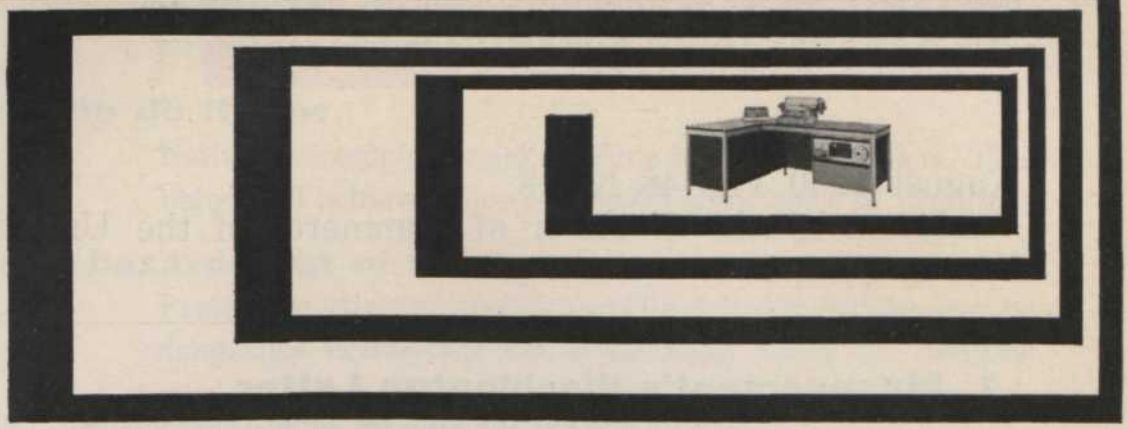
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Nation's Business

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Washington, D.C.

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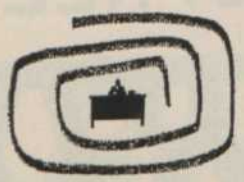
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America need not fear foreign competition. It can meet it successfully if U. S. businessmen will tap foreign markets

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▶LOOK BEYOND year ahead.

Next boom looms on the horizon.

Starting time could be 1962.

Forecast comes from special analysis of economic trends made expressly for Nation's Business readers.

Study shows how character of consumer spending is likely to change.

Example:

Millions of families will move into higher income brackets.

About half of today's households have after-tax incomes up to $5,000 a year.

Ten years from now, this proportion will shrink an estimated 25 per cent as pay envelopes fatten.

Meanwhile, households with $10,000 or more of spendable income will double by 1970.

This means:

You can anticipate that, in years to come, Americans will be spending larger proportions of their incomes for products and services formerly regarded as luxuries.

See "Get Ready for the Luxury Boom" on page 34.

▶YOUR PLANNING FOR 1961 should include the prospect of:

No boom--but no bust.

That's how it looks at this time.

From about $505 billion annual rate for nation's gross output now, business is expected to continue a gradual climb through the next 12 months.

By year end, output rate may reach $515 billion.

First half of 1961 will be a crucial time.

Best guess now is that expansion will continue.

That'll mean record business.

But remember:

Growth rate for year ahead will be lower than rate for past two years.

This fact disturbs some economists (and politicians) although expansion still will be higher than the long-term average.

▶WORKER PRODUCTIVITY is slipping.

Here's a preview:

New government study places output of nonfarm workers up 4.2 per cent during past year.

That's measure of productivity rise.

Estimated for 1960:

Slowdown to a probable 2.5 per cent.

May run lower next year.

Annual average since '47 is 3.1 per cent.

▶SLIPPAGE FORESHADOWS future profit trends.

Here's what happens when worker output rises and falls:

Real output per man-hour rose 4.7 per cent in '55. Corporate profits went up $10.8 billion. Compensation of employes shot up $15.3 billion.

Productivity slipped slightly in '56 (about a quarter of one per cent). Profits fell $200 million. Total pay to employes zoomed $18.6 billion.

In '58, productivity remained same as it was in '57. But profits plunged $5.2 billion. Employes were paid $1.3 billion more than year before.

Index of productivity rose 4.2 per cent in past year. Profits climbed by $10.7 billion. Employes' compensation whooshed up $20.6 billion.

Profit rise this year?

Very little--if any.

Compensation of employes?

Going up at least $20 billion.

▶NEW FARM PUZZLE: Productivity on farms has gone up an average six per cent a year for 11 years.

Now--no rise at all.

Productivity experts in Washington are trying to find out why.

▶UNIONS GAIN AS MUCH PAY HIKE by not striking as they get by striking.

That's happening this year.

Look at the record.

Last year saw total of 69 million man-days lost by strike idleness (highest since '46).

Year saw 3,708 work stoppages.

So far this year--

Work stoppages are running behind a year ago by nearly four per cent.

Strikes are involving fewer workers than in any other postwar year (drop of 18 per cent from year ago).

Man-days lost by strike idleness are running approximately 23 per cent lower than last year.

Pay increases, won by big strikes, averaged about four per cent. Pay

boosts, being won this year with fewer strikes, are averaging the same--about four per cent.

▶THREE OUT OF FIVE settlements being made this year show pay increases of 10 cents or more an hour.

Most common settlement last year: Nine to 11 cents.

Many new contracts provide additional increases next year.

Some schedule pay hikes as far ahead as 1962.

▶FRINGE BENEFIT COSTS also are climbing.

(How average has gone up from $424 per employe in 1947 to more than $1,100 per worker now is told on page 14.)

Headed upward are:

Costs for company-paid medical plans, sickness, accident benefits, company contribution to group life insurance plans, higher minimum pensions, longer vacations.

▶NOTE THESE SETTLEMENTS:

Dairy contract provides for guaranteed $86.85 minimum weekly pay for drivers, supplemental jury pay, funeral benefits, revised holiday pay, four-week vacations for 20-year employes.

Department store agrees to four-week vacations for 25-year employes.

Store also agrees to a seventh paid "personal holiday" to become effective in 1962.

Fork lift operators will receive $82 a week; stockmen, freight handlers go up to $77 a week.

Clerks in retail food chains will start at $62 for a 40-hour workweek ($64 a week next year), go up to $87 a week after 36 months.

Journeymen meat cutters will get $107 a week in '61; meat managers, with pay tied to store's volume, will get minimum $159.50 a week.

New pay rates agreed to by utility company will range from $74.20 a week to $159.40 a week.

Company's contribution to health and welfare plan goes up 25 per cent.

Contract in chemicals industry calls for pay boost of eight cents an hour now, another five-cent raise later this year, third hourly increase of six cents in mid-1961, final nine-cent-an-hour increase in mid-1962.

▶ONE JOB CONGRESS WILL HAVE this month: Unscrambling legislative eggs that got scrambled in haste during final days before convention holiday began.

Scramble samples:

Federal wage control proposals were being pushed through House of Representatives.

Members thought they were voting on election-year boost of wage floor and extension of coverage to additional workers.

But congressional action actually included elimination of 14 million workers who previously had been covered.

Again, lawmakers thought they were voting to override President's veto of $750 million election-year pay boost for employes of federal government.

But override action excluded employes of at least six agencies, leaving out thousands of Uncle Sam's employes.

Actions were inadvertent.

Procedural corrections will be made this month.

Meanwhile, watch for other legislative slips to be smoked out in days ahead.

Could result in special presidential message.

▶SWIFT ACTION WILL COME as Congress tries to ram legislation through before Labor Day.

Here's preview of issues important to business:

Wage controls--House has voted new $1.15 an hour minimum pay, included 1.4 million employes of retail chains in fold of industries covered.

Senate will consider proposal to hike pay floor to $1.25 an hour in three steps over two-year period, extend coverage to 4.9 million workers.

Look for House provisions to be adopted as starting point to higher wage minimums to be voted next election year.

(Scramble mentioned above--elimination of 14 million workers--will be ironed out in conference committee between two houses.)

Secondary boycotts--Senator Kennedy proposal would weaken labor reform law (passed last year) by legalizing secondary boycotts at construction sites.

Hard pressure mounting for passage of this proposal, but action this month is unlikely.

School subsidies--Big push coming to get federal subsidies for local school construction, teacher salaries.

Passage is possible although House Rules Committee has proposal bottled up. This could block approval this month.

▶COST OF MEDICAL CARE pushes consumer price index up at zooming rate.

Here are facts:

Government's medical cost index is nearly six per cent higher than it was 12 months ago.

Consumer price index, of which medical care is part, is up 2.3 per cent.

Medical costs now are 27.5 per cent higher than '55. Index of all items is 11.7 per cent higher.

In past 10 years, medical costs have gone up 50 per cent.

That's more than twice as fast as index for all consumer spending.

This trend worries economists who say a big government program of socialized medicine (which may be approved this month by election-minded congressmen) would fan new inflation fires.

Administration's proposal would add an estimated $1.5 billion a year to medical spending in three years.

Other talked-about programs would add $1 billion to $2.4 billion a year.

Adding billions to demand without increasing supply of doctors, nurses, facilities would push prices up for everyone, could inflate prices out of range for many persons now financing their own medical expenses.

▶COMMUNISTS ARE AIMING their economic sights at easier targets.

Why?

Russian growth is slowing down.

This comes as no surprise to long-time Nation's Business readers who have seen:

"Russia's Coming Manpower Squeeze," in November '55.

"Russia's Growth Slows Her Down," in October '56.

"New Red Target: Beat U.S. Worker Productivity," in May '58.

Plus many other timely, useful, important articles interpreting trends.

Why the slowdown?

Future implications for U.S.?

Full story on page 29.

▶BOOM IN EUROPE offers big new selling opportunities for American business.

International economists see these trends:

European economies are expanding.

Most countries currently have limited manpower available for faster expansion of production.

That means jobless totals are low.

Workers with rising incomes provide ripe plum for producers of consumer goods--such items as U.S.-type kitchen appliances, household durables.

Exports of U.S. merchandise are headed toward a record year.

Three fourths of the increase is due to expansion in Europe and Japan.

U.S. shipped $4.7 billion merchandise to Europe last year, may sell close to $5 billion this year.

Full story on page 50.

▶WANT TO MAKE A SPEECH? Need a good topic?

Try profits.

Here's ready-made outline for you:

1. Where profits come from.
2. What "fair" profit means.
3. Who shares in profits.
4. How profits benefit your community.
5. How profits provide job security.
6. Why profits mean progress.

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If you aren't giving a speech, you'll still find this fact-packed kit timely, interesting, informative, useful.

Ten-page scripts are free (color slides at cost) from Business Relations Dep't., U.S. Chamber of Commerce, Washington 6, D.C. Ask for "Profit Story."

▶INCREASED LEISURE TIME booms boating.

Total of 40 million enthusiasts will spend estimated $2.5 billion this year on pleasure boating.

Watercraft, says American Petroleum Institute, will use more than 533 million gallons of gasoline in 1960.

That'll be up from 490 million last year.

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Survey shows way to predict success of managers

A MAN'S CHANCES for executive success may now be more accurately measured.

The method of measurement was developed as a result of the American Chamber of Commerce Executives' determination to find out what specific qualities enable a man to succeed in chamber of commerce work.

To find the answer, 600 members of the association cooperated in one of the most comprehensive research projects ever carried out on a group of managers. The results, after a year and one half of study, show that the successful chamber executive would probably have succeeded equally well had he entered business or industry.

- He is an administrator and organization man.
- He is well educated.
- He has a strong basic need to achieve high standards of success.
- He has intellectual inclinations.
- He has a strong interest in philosophical and social issues.

On the assumption that past performance is the best indicator of future success, Byron Harless and Associates, management consultants who conducted the study, asked cooperating members of ACCE to fill out an 11-page questionnaire covering their background in depth. The questions ranged from education, through family and financial history, work experience and leisure-time activities.

The researchers chose a sample of 50 executives who had compiled outstanding records in chamber work. With these they compared another 50 whose work—based on confidential ratings—was less outstanding. When only a successful group is studied, Dr. James J. Kirkpatrick, vice president of the consulting firm, points out, there is no way of being certain what specific characteristics contributed to success.

Study of the two groups enabled the researchers to isolate 35 significant success factors. To determine their validity, they cross-checked these against a third group of chamber executives and found that the likelihood of success as shown by the measuring factors corresponded to the actual degree of success the men had attained.

The consulting firm incorporated the success factors into a form for use by chambers of commerce in selecting new officials and rating the executive potential of present staff members. Weights were assigned to the background items and



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EXECUTIVES

continued

a scoring system developed by which the likelihood of executive success can be measured by the score made by the person filling out the form.

The general findings of the study could be applied in many ways, Dr. Kirkpatrick believes. Certain factors—such as courses of study in college or type of work done in previous jobs—would vary in different fields, but similar surveys would identify the particular success factors of other executive groups. It would supplement the usual interviews, reference checks and physical examination.

From the study made for the ACCE, this profile of the successful chamber chief executive emerges:

Three basic traits mark his personality—optimism, a need to participate in many activities, and a belief in setting high goals for himself and others.

He had a happy childhood in a stable middle-class family. The majority worked while growing up to help their families financially or because they wanted to work.

He worked his way through college. Nearly 70 per cent obtained a bachelor's degree. Of these, 12 per cent went on to earn a master's degree and eight per cent achieved a Ph. D. or professional degree.

He showed a significant pattern of leadership in high school and college. Almost invariably, he engaged in a large number of extracurricular activities. Predominating were activities emphasizing skill in communications—debating, oratory, dramatics and editing the school paper or yearbook.

He entered chamber work from a variety of fields, with sales, newspaper work, public relations, advertising, and community organizations at the head of the list.

He handles his personal finances with maturity and good judgment.

He has compiled a record of leadership in the numerous organizations to which he belongs.

Reading occupies many of his evenings, and he still takes an active part in sports. His reading preferences are magazines, newspapers and material on business and commerce. He has had published a number of articles in his field.

A hard worker, he puts in an average of 58 hours a week on the job. He appears to place more emphasis on his career than on anything else. **END**

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FABULOUS FRINGE

Why nonwage costs are rising

New research shows fringe benefits are growing twice as fast as wages

FRINGE BENEFITS, steadily increasing in importance as a business cost, are expected to become more expensive in the years ahead.

Already scheduled hikes in the social security tax, the trend toward longer vacations and more holidays, and union pressures for new programs rank high among the causes.

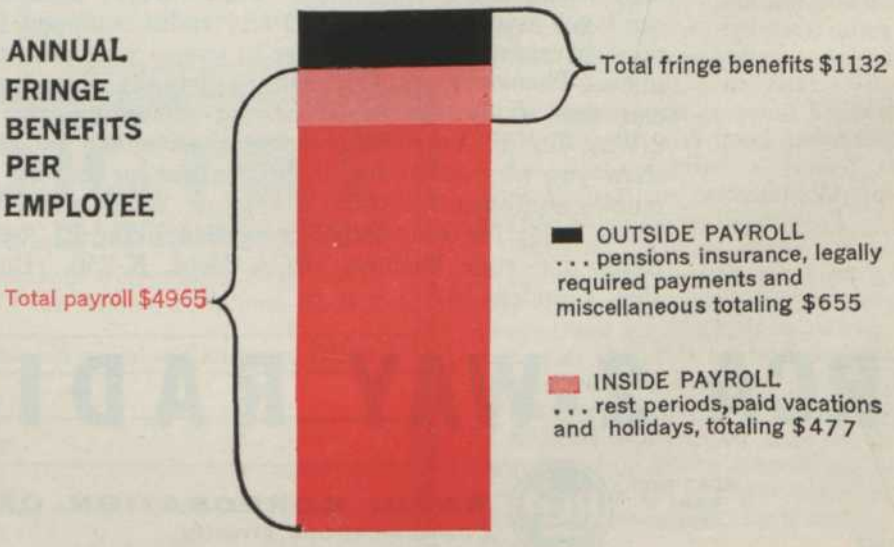
A substantial rise in fringe benefit costs between 1957 and 1959 is revealed by a new U. S. Chamber of Commerce survey of 1,064 companies. The level climbed to $22.80 of each $100 of payroll from $21.80 two years before. The average employe's annual benefits totaled $1,132, up from $981.

Fringe benefits have been increasing more than twice as fast as wages. In 108 companies surveyed regularly by the Chamber since 1947, annual wages per employe rose 83 per cent between 1947 and 1959, but fringe benefits climbed 206 per cent.

Nonwage payments to workers were relatively small before World War II. In 1929, the cost was only about $1.5 billion, or about one cent per hour per employe. By 1947, social security, unemployment compensation, paid vacations for hourly workers, and other benefits, had boosted the rate to 15 per cent of payroll, or 20 cents an hour.

Vacations used to be one week; now two is generally the minimum, with many concerns granting three and even four weeks after several years of service. Years ago, there were only three or four paid holidays; now many major industries grant eight or nine. Social security started with a tax of one per cent on the first $3,000 of each employe's annual wage; now the rate is three per cent on the first $4,800.

The result, according to the Chamber's report, *Fringe Benefits, 1959*, is a cost of 62.6 cents an hour, or about $52 billion on a payroll of $275 billion. This represents an estimated national average of 19 per



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NONWAGE COSTS

continued

cent of payroll, somewhat less than the survey figure, since it includes many companies and industries with lower payments than the 1,064 firms surveyed.

Almost half of today's benefits consist of payments for vacations, holidays, rest periods, sick leave, and other time not worked. The rest are nonpayroll items, including social security, pension plan premiums, insurance premiums paid for employes, and similar costs.

Of the $22.80 per $100 of payroll taken by fringe benefits, $4.20 went for payments required by law; $7.20 for the employer's share of pension and insurance costs and similar payments; another $7.20 for vacations, holidays and other off-the-job compensation; $2.40 for rest, lunch and wash-up periods and the like; and $1.80 for such miscellaneous items as profit sharing, special bonuses, and payments to union stewards for time spent on union business.

Fringe benefit costs vary widely among companies and industries. Two firms reported payments at less than six per cent of payroll; at the other extreme, two others had costs of more than 60 per cent.

Banks, finance and trust companies paid the largest fringe benefits in 1959, averaging 31.7 per cent of payroll. Petroleum industry payments were 28.3 per cent, and insurance companies paid 27.1 per cent. Among industries making smaller payments were stone, clay and glass products companies, paying 19.4 per cent; pulp, paper, lumber, and furniture companies, paying 18.8 per cent; and hotels, paying 13.8 per cent.

Within individual industries, companies also reported a wide variation in fringe costs. Food, beverage and tobacco company payments ranged from under ten per cent to more than 40 per cent of payroll. Printing and publishing firms reported payments ranging from under 14 per cent to over 38 per cent of payroll.

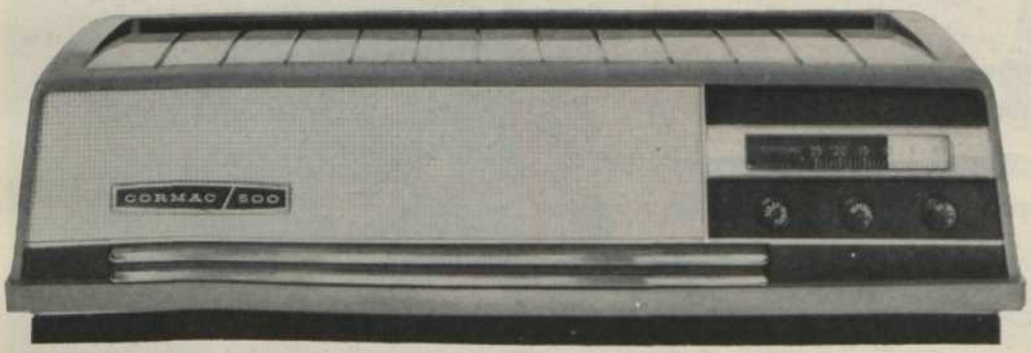
Some payments, including social security taxes, unemployment compensation taxes, insurance premiums, and paid vacations were reported by practically all companies surveyed. Other payments were reported by a considerably smaller proportion.

Pension payments were being made by 86 per cent of the firms surveyed, including all the petro-

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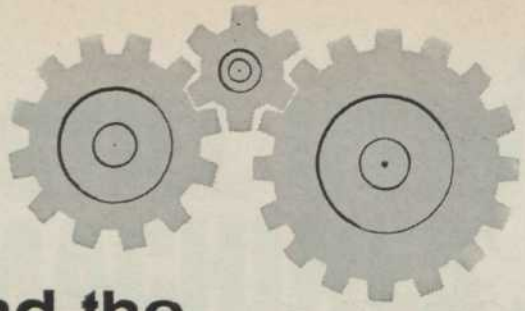
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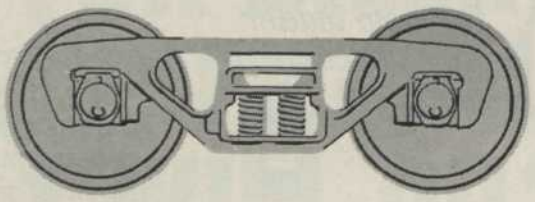
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Dept. 271

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and the wheels of transportation

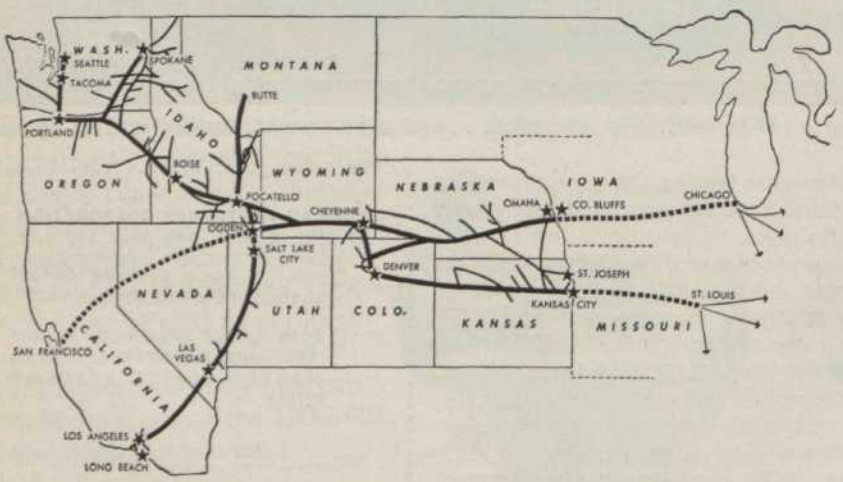


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NONWAGE COSTS

continued

leum and insurance companies, but only 21 per cent of the hotels.

Separation or termination pay allowances were reported by 20 per cent. But contributions to privately financed unemployment benefit funds were being made by only eight per cent, usually when required by union contracts.

Profit-sharing payments were reported by only 15 per cent of those surveyed, but 53 per cent pay Christmas or other special bonuses, service or suggestion awards.

Tradition results in differing fringes: Hotel cooks in one city get three bottles of beer per shift, transit employes and their families ride free, some department store employes are more interested in the discount they get on merchandise than in their pay. A few firms still give all hands a turkey at Thanksgiving.

Prospects for the future depend largely on government and union programs.

Under present law, social security taxes will rise to 4½ per cent on the first $4,800 of employes' earnings. The current maximum of $144 per employe will become $216 within nine years, a 50 per cent increase. Furthermore, there's no assurance the schedule won't be changed by 1969. Congress has increased the tax rate four times in the past 10 years. Passage of proposals to provide medical care for the elderly through social security would mean an immediate boost.

Unemployment and workmen's compensation taxes are not expected to rise so rapidly, but the trend is upward.

Unions are constantly pressing for longer vacations, extra holidays, more liberal pension plans, expanded medical—and in some cases, dental—insurance, and premium pay. The Chamber survey does not count overtime and holiday premium pay, shift differentials, production bonuses and the like as fringe benefits, but as added wage costs. The average of these payments for the firms surveyed in 1959 was $313 per employe.

By 1970 fringe costs may reach $120 billion, or 30 per cent of the $400 billion of wages and salaries expected to be paid then. END

FRINGE BENEFITS, 1959, *a 36-page report, is available from the Chamber of Commerce of the U. S. A., Washington 6, D. C., $1 per copy.*

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Next President will stress defense, not summitry

BY EDWARD T. FOLLIARD

LOOKING BEYOND this year's political battle, there are some things that can be put down as certainties, no matter which party wins on Nov. 8.

Soviet Premier Nikita S. Khrushchev might be interested, for it was he who made them certainties.

Here they are:

In the next Administration, the budget for America's armed forces will be at least as large as the current beefed-up budget of nearly $40 billion, and probably larger.

Our next President will not attend a summit conference to negotiate agreements with the Soviet Union. He will go only if the negotiations have been completed at a lower-level—that is, if the traditional pick-and-shovel work has been done in advance by diplomats, and settlements are ready for the approval of the heads of government.

Influential Republicans and Democrats agree on these prospects. They have been in agreement on them since Premier Khrushchev staged his ill-tempered performance in Paris, and wrecked the May summit conference before it could get started.

Thanks in large part to Mr. K's behavior, Congress voted a good deal more money for the armed forces for the fiscal year 1961, which began July 1, than President Eisenhower recommended in his budget message back in January.

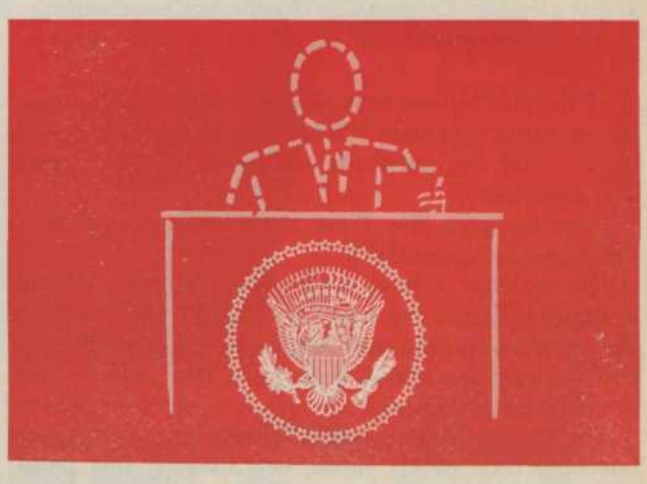
The House went along pretty much with the amount asked for by the President. However, the House Appropriations Committee worked on the military budget in April, when Vice President Richard M. Nixon and other Administration spokesmen were predicting success at the summit.

By the time the Senate took up the bill, the Paris conference was in ruins. President Eisenhower's scheduled visit to Russia had been rudely canceled, and the international skies were again overcast. The answer of the Senate was to add something like a billion dollars to the Pentagon budget.

In the end, after the usual compromise between Senate and House conferees, the defense appropriation bill called for $39,996,608,000—$661,608,000 more than the President recommended.

Notwithstanding the ugly turn of events, there has been no war scare in Washington. The purpose behind the building up of our armed might, a purpose that is likely to become stronger in the days ahead, is what it always has been, to discourage the Russians from starting anything.

Premier Khrushchev says for his part that a major



Our next President will be unlikely to go to summit meetings until spadework is done

nuclear war is unthinkable. Talking recently to a communist gathering in Bucharest, he said: "In our day only madmen or maniacs launch calls for a new world war."

Is the Soviet dictator sincere when he talks this way?

President Eisenhower, who has good reason to doubt any Khrushchev statement, says he does believe that the Kremlin boss abhors the thought of another great war. That also is the view of Allen W.

Dulles, director of the Central Intelligence Agency, who sees the Soviet Union using its military power largely as a threat, an instrument of intimidation.

"I believe that Khrushchev is still confident that he can win the world without actually employing military force," Mr. Dulles says. "He doesn't want to acquire a world in ruins if he can take it intact."

Why, it might be asked, should Americans be overly concerned about our military strength if our chief intelligence official says that the Soviet Union is not bent on war?

The answer was given 14 years ago, just after World War II. It was given by Winston Churchill in his great "Iron Curtain" speech at Fulton, Mo., on March 5, 1946.

U.S. AIR FORCE PHOTO



Air Defense Commander Kuter has been calling for improvements in U. S. antimissile system

"I do not believe that Soviet Russia desires war," Sir Winston said then. "What they desire is the fruits of war and the indefinite expansion of their power and doctrines."

Here he gave the West a warning, and it is as valid now as it was then.

"From what I have seen of our Russian friends and allies during the war," he said, "I am convinced that there is nothing they admire so much as strength, and nothing for which they have less respect than for military weakness."

The former British leader, surely one of the most farseeing men of his times, was making this point: The United States and its allies can never hope for a settlement with the Soviet Union if they go to the council table and have to negotiate from weakness rather than strength. Paradoxically, it is only by having an abundance of arms that the West has any chance of persuading the Russians to agree to a reduction of arms.

The Democrats were saying here, after the collapse of the Paris conference, that Premier Khrushchev would not have dared behave as he did had the United States kept abreast of the Soviet Union in the development of ballistic missiles. The Republicans, of course, refuted this, and it is likely that there will be echoes of the argument in the campaign ahead.

Whatever may be America's military weaknesses at the moment, there does appear to be what is called "a balance of terror." That is, both the United States and the Soviet Union seem to have the capacity to turn the other's country into a vast graveyard.

The danger, as some of the professionals see it, is that the Soviet Union might achieve a breakthrough that would upset this balance of terror. This could happen, they say, if the Russians developed a really good antimissile missile, a missile that would knock down missiles fired at their homeland.

Gen. Laurence S. Kuter, commander-in-chief of the North American Air Defense Command at Colorado Springs, has been calling for a greater effort in developing our own as yet unproved Nike-Zeus antimissile missile.

"The side that gets a reasonably effective aerospace defense," General Kuter has said, "will gain a tremendous advantage. It is unthinkable that the Russians should be the first. That would automatically make them far stronger and enable the Kremlin to blackmail, possibly dictate to, and obviously to attack the West."

Turning to summit conferences, President Eisenhower came back from Paris in May an angry and disillusioned man. He had allowed Premier Khrushchev to bull him into going to Paris, only to insult him after he got there.

The Chief Executive went over to the French capital without having what he once said he had to have before he would embark on such a mission—an assurance of "real progress of some kind."

He wanted such an assurance because he felt that his first summit conference, held at Geneva in 1955, was a waste of time for all except the Russians, who turned it into a propaganda carnival.

When Premier Khrushchev began clamoring for another summit conference, the President was cold to the idea. He explained to reporters that such a conference would raise the world's hopes, and that these hopes would then be dashed if nothing was accomplished.

In the end, Premier Khrushchev played his cards in such a way that he got what he wanted. First, he maneuvered the President into inviting him to the United States. The Russian's ace was a demand that the United States and its allies get their troops out of West Berlin, which would leave 2,250,000 free Berliners at the mercy of the communists.

What followed is familiar history. Having wrecked a foreign ministers meeting that tried to find a solution of the Berlin crisis, Premier Khrushchev kept insisting on a meeting of the head men.

President Eisenhower finally gave in and agreed to go to Paris—without any assurance of "real progress of some kind." He did so partly because of the urging of British Prime Minister Harold Macmillan and partly because, as he explained to reporters, "if you are going to make agreements with the Soviets, you are almost compelled to do it with the head of government." He observed that fashions in diplomacy had changed.

In this campaign year of 1960, there is a strong feeling that it is time for another change—back to traditional diplomacy.



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Happy people worry more than average

BY FELIX MORLEY

A RECENT ISSUE of the American Medical Association's *Journal* contains 121 pages of advertising, mostly of remedies for those ills to which the human flesh is heir. It goes without saying, in the case of this highly reputable professional publication, that all of these products can be regarded as reliable.

Yet 26 of these pages, or more than one fifth of the total, are devoted to "tranquilizers" of one kind or another. Most, judging by what the producers say of them, have been developed lately. Practically all of them are available in tablet form, usually only on a doctor's prescription, thereafter involving no more difficulty for the patient than is required in swallowing a glass of water.

The prominent place of sedatives in medical advertising suggests a disturbed condition in the minds of many Americans today. And this inference is considerably strengthened by the findings of a current study, sponsored by the University of Michigan, entitled "Americans View Their Mental Health." Based on a nationwide sampling of seemingly normal adults, of various occupations and financial standing, this book reports that one person out of every seven seeks assistance from others to dispel his or her anxieties. But since only 29 per cent of these turn to the family doctor for help, it would seem that the prevalence of prescribed drugs by no means fully reflects the total volume of uneasiness.

• • •

This affliction of morbid apprehension is probably a factor in the curious belief that the Welfare State can and should remove all burdens conducive to nervousness from the steadily narrowing shoulders of the American people. Yet the more we turn to Big Government as a fairy godmother, the more our personal anxieties seem to multiply. The rush to tranquilizers may even be the result, rather than a cause, of the rapid spread of governmental intervention in personal affairs. One can certainly understand why the consumption of tension-lessening drugs should go up coincident with the dates for paying income tax installments.

The survey just referred to, however, does not find lack of money to be the most serious source of worry in the United States. Moreover, it is not the very poor who have the greatest anxiety on this score. Concern is particularly exhibited by "those with incomes between $3,000 and $6,000 annually." While the



The growing use of tranquilizers suggests a disturbed condition in many American minds

university researchers find this "surprising," the probable explanation is simple. There is more mental dissatisfaction and strain among those seeking to attain higher social status than among those contented with a humble situation. One recalls that the latter attitude was strongly recommended in the Sermon on the Mount.

Nearly half of those interviewed by the Michigan Survey Research Center mention "money and related material matters" as a source of worry. But among those who ask specialists' advice in combating their anxieties—14 per cent of the 2,460 interviewed—marital problems are easily uppermost. Yet only one in four of those thus disturbed is willing to attribute his or her difficulties to personal shortcomings. Here again it would seem that a closer consideration of the

teachings of Christ might well be helpful to mental health.

Realization of the need for spiritual fortification is clearly indicated by the fact that of the mentally distressed who seek professional aid, four out of ten go to an ordained minister as against approximately 30 per cent each to physicians and to psychiatric specialists. Examining the age composition of these proportions the study says: "It is clear that the younger, better educated groups . . . have much greater recognition of the psychological nature of many of their problems." What is not at all clear is why the assumption that the younger groups are also the better educated, though one would scarcely expect employes of a state university to conclude otherwise.

Like all analyses based on the sampling process, the conclusions of this survey should be read with reasonable skepticism. Even so, there is much that is thought-provoking in what is called "the first nation-wide, family-by-family analysis of how Americans respond to the pressures of modern living." And this very thorough study, 444 pages in length, is official, to the extent that it was authorized by Congress and prepared for the Joint Commission on Mental Illness and Health.

The least controversial conclusion is also probably



Old Nosey is evidence that complete freedom from fear is neither natural nor desirable

the most important. This is what is called "a major paradox developed in the study," that "often, happy people worry more than average."

One may observe that this is really no paradox at all, but a perfectly natural and wholly desirable situation. To be happy is to be well adjusted to the sort of life one leads, and to be well adjusted is to be in a constant state of apprehension, in the literal sense of the word.

To apprehend, says my most trusted dictionary, is (in the mental sense) "to learn; to lay hold of with the intellect; to catch the meaning of; to understand and to anticipate." In Browning's words: "Each man avails him of what worth he apprehends in you."

In this sense "apprehension" is a quality essential for any and every form of intelligent living. And while the word is often used to indicate anxiety of a merely nervous nature, the fundamental meaning of reasonable outlook is by no means lost. Just 15 years ago, at the close of World War II, apprehension over the strength and policy of Soviet Russia was wholly justified, yet confined to a well informed minority. Today that apprehension is widespread. Many more are nervous but very few to the point of jitters. The Michigan study notes that fear of the destruction of civilization by an atomic war is unmentioned as a source of personal unhappiness. "Problems of broad, general concern tend to sink beneath the surface of personal awareness." What damage they may do from underneath we really do not know.

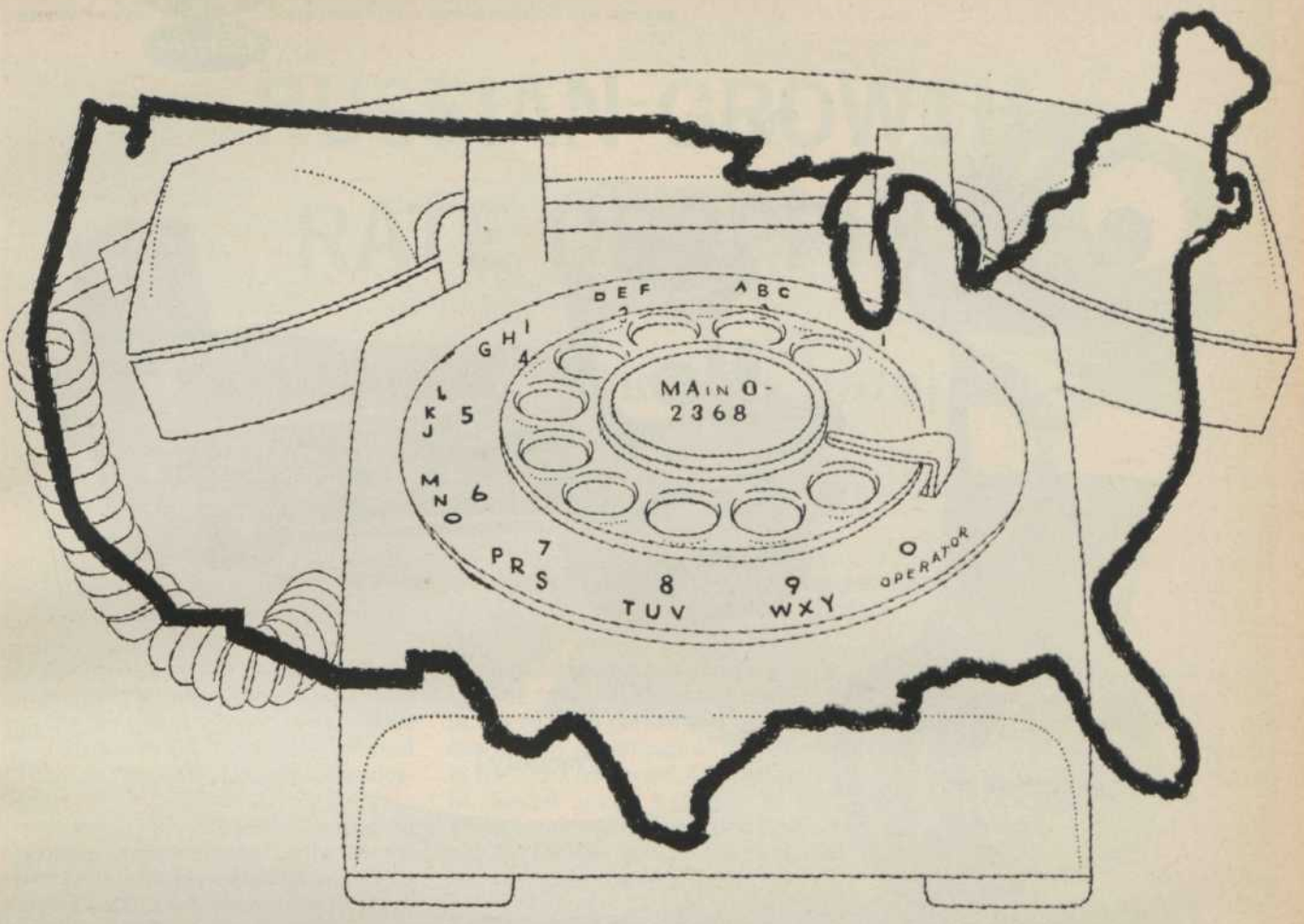
What we do know, if at all familiar with any form of wildlife, is that complete freedom from fear is neither a natural nor a desirable condition. As evidence I cite "Old Nosey," as we have named an elderly raccoon who also inhabits the few acres of woodland where I live.

For six summers now Old Nosey has been coming regularly to our terrace, toward sunset every evening, to receive the dog biscuits which she relishes as greatly as she despises dogs. We know it is the same raccoon, not only by her distinctive mannerisms, but also because her right ear has been neatly nicked, whether by a departed boy friend or a canine enemy she does not say.

Old Nosey asks for her biscuits with dignified assurance, and likes to take them delicately from the donor's hand. But she is always apprehensive, always nervous, always alert to run at any unfamiliar sound or threatening motion. And this is well. Like every form of dole, that which she gets from us is unreliable. When the house is occupied she can be sure of a meal which fills her small stomach to its highly elastic capacity. But occasionally this Bureau of Social Security is closed. Handouts are terminated without notice and Old Nosey, a perfect pet, must and does fend for herself until reopening. If she were not so nervous I would not expect to see her again when I come back.

Anxiety, in short, is at bottom a function of freedom. Only the fully domesticated animal, only the enslaved human being, can or should expect a life devoid of continuous tension. From that condition, indeed, all human progress springs. If progress is undesirable then we may hope for the elimination of anxieties. But let none think that this will be gained, in any large degree, except at a heavy price.

This is not to say that unhealthy and debilitating worries cannot be reduced. Today, with the progress of medical diagnosis, we are more aware of the nature of pointless anxieties which once, like measles, were regarded as ineradicable. Some of these are so toxic as to demand sedation in various forms, of which the spiritual has by far the longest record of success. Mental health, however, will never be attained by the eradication of rational apprehension. Even if freedom from fear were attainable, it would be at the cost of freedom.



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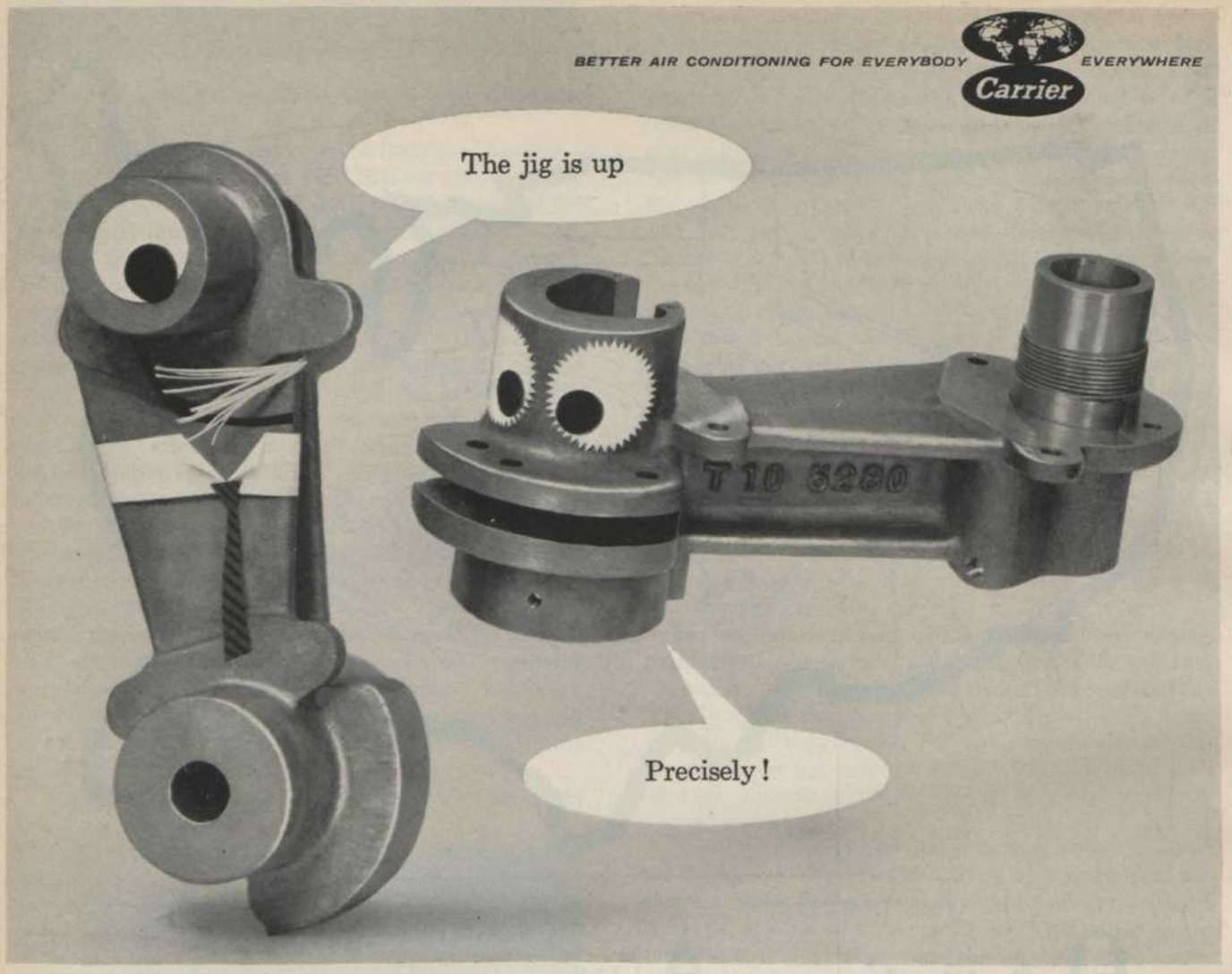
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Is comfort air conditioning in an industrial plant an unproductive luxury—a nice gift to the workers if you can afford it? Or is it a production tool—an investment that actually pays off in increased worker productivity?

The answer is a matter of record in scores of businesses. One of them is the Star Machine and Tool Company of Cleveland, a progressive small company in the precision tool industry.

Star installed Carrier air conditioning in its 20,000 sq. ft. plant in 1952 to stabilize the day-to-day accuracy of machining and produce to the ever-stricter tolerances required by modern industry. "As a result," says management, "we have been able to attain a degree of precision that once would have seemed utterly fantastic."

But what the company did not realize—at the time of installation—is that air conditioning increases the efficiency of men as well as the precision of machines. The annual productivity of Star workers soared 5.1%, absenteeism during summer decreased 14% and labor turnover dropped by 30%.

Taken together—and entirely apart from the increased precision which originally attracted management—these gains in worker productivity are giving the company a 31% annual return. Or enough to pay back the cost in about three years!

Many other manufacturers report similar figures and it is significant that neither the geographical location of their plants nor the type of products manufactured affects the size of their gains. What does determine the profit potential of industrial air conditioning, in almost all cases, is the density of workers in a plant or plant area.

Where the number of square feet per worker is low, the return on an air conditioning investment will be high. For this reason, the most densely populated departments should be air conditioned first in any program that calls for the installation of complete plant air conditioning over a period of years.

There are other yardsticks, too—all described in the booklet, "Will factory air conditioning pay off for me?" which we will send you without obligation. Write for it today, then make your decision. Carrier Corporation, Syracuse, New York. In Canada: Carrier Engineering Ltd., Toronto.

RUSSIAN GROWTH RATE DROPPING

Many weaknesses hamper Soviet attempt to catch us

UNNOTICED in the political debate over how to keep ahead of Russia is the fact that Soviet boss Nikita S. Khrushchev has actually lowered Russian growth targets considerably.

Since 1950, Russia's industrial production has climbed nine or ten per cent a year, about double our own growth rate, according to U. S. analysts.

To match the Soviet pace, liberals urge more government spending. Others note this would be inflationary and favor instead incentives for private enterprise growth.

Premier Khrushchev's plans, and the reasons behind them, suggest that, instead of attempting to force our growth rate to equal Russia's, we may need only to keep our economy healthy while Soviet gains grow smaller over the years.

By official Soviet calculations, the average annual growth of industrial production for the seven years ended in 1958 was 11.4 per cent. Yet the goal set by Mr. Khrushchev for the current seven-year plan ending in 1965 is only 8.9 per cent a year, and an even slower growth is scheduled for many key industries in the following eight years.

Planned annual increases for the current seven years and the following eight compare like this: coal, 3.2 and 2.8 per cent; petroleum, 11.4 and 9.4 per cent; gas, 25.4 and 19.6 per cent; electric power, 12.2 and 9.7 per cent; steel, 7.3 and 5.3 per cent; cement, 13.3 and 8.6 per cent, and sugar, 9.9 and 5.1 per cent.

The U. S. Central Intelligence Agency estimates the annual growth rate of USSR industrial production in the 1959-65 period at 8.6 per cent, down from an average of 10 per cent in the 1950-59 period. CIA estimates of Soviet gross national product growth rates are seven per cent annually for the 1950-59 period, but six per cent for 1959-65.

Facts behind the slowdown

What are the reasons for this slowdown? What are its implications for the U. S.?

Russia's economy is maturing. As an economy grows, it becomes harder to make big percentage gains. A 100-ton steel plant makes a much larger percentage increase by adding five tons than does a 1,000-ton plant.

In addition, Soviet industrialization could be rapid in recent years because it has been passing through what might be called a middle stage of development. Russia has been able to draw on the knowledge already developed by the United States and other advanced nations.

"As to new technology, there is little evidence of Soviet innovation except the demonstrations of the sputniks," says Willard H. Thorp, director, Merrill Center for Economics, and professor of economics, Amherst College.

"In the past, the USSR has been able to take over much scientific and engineering discovery at virtually no cost. It may be that some of their progress has been in the form of catching up—a process that cannot go on forever."

To reach its goals, Russia is trying to speed automation. But U. S. experts figure only about five per cent of Soviet industrial spending is going for automation, compared with about 20 per cent here.

Resistance to automation is widespread.

"The plant manager is caught between two conflicting demands," says Leon M. Herman, Soviet economics analyst with the Legislative Reference Service of the Library of Congress. "He must exceed his production quota. Yet he is expected also to use the newest machinery available. Since his pay and security depend on overproduction, he generally chooses to stick to the methods and machinery that he knows can do the job. He has no incentive to gamble on anything different."

The Russian newspaper *Izvestia* admits "some sorry officials" resist progress. It complains that 16 million rubles' worth of machines and tools are idle in South Kazakhstan because that area's Economic Council has failed to order them installed.

Even the top communist leaders concede that the job of installing modern machinery throughout the Soviet industrial system is too big to be accomplished in the current seven-year plan. Averki B. Aristov, the Russian communist party's chief expert on industrial efficiency, reports that, of 80 steel rolling mills in the USSR, only three are modern. The rest are equipped with Eighteenth and Nineteenth Century ma-

chinery and are only 20 to 30 per cent as efficient as the other three, he says.

Impact of Soviet labor

Along with the shortage of modern machinery, Russia may find manpower acting as a limiting factor in its economic growth.

The Soviet labor force (males, 15 to 59; females, 15 to 54) increased by 13.8 million between 1951 and 1957—about three times as much as the U. S. But the gain in the current seven-year period is estimated at only about 5.6 million, while the plan requires about 12 million more industrial workers.

To help fill the gap, the Kremlin claims to be releasing some men from the armed forces and has cut two years off the 10-year school period for most students. This is expected to supply about 5.6 million additional workers. In theory, the rest will have to be taken from farms.

The immediate lag in growth of the work force stems mainly from the low birth rate during the war. But some experts believe the Soviet population will increase much more slowly in the future.

If present trends continue, the Russian birth rate can be expected to decline substantially, while the U. S. rate remains at about its present level or increases. The current rate is about 25 per 1,000 in each country.

John F. Kantner, of the Census Bureau's Foreign Manpower Research Office, cites several factors indicating a drop in future Soviet births. People are moving from rural areas to the cities, where birth rates are lower. People living in city housing, where two families often share one room, don't want to add to the crowding by having more children. The government encourages birth control to prevent women losing time from work.

The Russian death rate is also likely to increase, Mr. Kantner believes. Because of the war loss of men who would now be middle aged, a larger proportion of the Soviet population is made up of older people than in the U. S.

Russia's best hope for increasing industrial manpower is shifting peasants from the farms. While American experts say mechanization may make this possible in the future, they doubt that it will help much right away. The USSR badly needs more food and has given high priority to its production.

The average Soviet farm worker produces only enough to feed himself and three or four other people. Each American working on a farm produces enough to feed about 20 others. As a result, some 48 per cent of the Russian population is engaged in agriculture, compared with about 10 per cent in the U. S.

Reasons for low farm productivity are many: lack of incentive, inadequate mechanization, poor planning, and an unfavorable climate.

"We see no prospect that the agricultural goals of the seven-year plan ending in 1965 will be approached," Central Intelligence Director Allen W. Dulles says. "The dramatic increase of seven per cent per year over the 1953-58 period was the result of a six-year effort to raise agriculture out of the trough in which Stalin had left it.

"Given average weather, net agricultural output will probably not increase more than 18 to 20 per cent by 1965. This is well under the goal of 55 to 60 per cent."

Productivity battle

Productivity of the Soviet industrial worker also is low—only about one third that of an American.

Mr. Herman attributes this to workers' lack of enthusiasm for their jobs. Even the incentive pay system, he says, helps little, because it's based on quantity alone and no pride in quality is developed.

Productivity is likely to be restrained in the future by the reduction in the average workweek promised by Mr. Khrushchev. By 1963, he pledges, Soviet workers will be working only 41 hours a week instead of the present 46. Monday through Friday hours would be cut to seven from eight, and Saturday would remain at six.

By 1965, the Soviet Premier holds out hope for a 35-hour week—five days of seven hours each.

U. S. experts doubt that the 35-hour promise will be kept. They note that even the cut to 41 hours is a 10 per cent reduction, thereby canceling out the increase expected in the labor force. This means any gain in over-all productivity must be accomplished by increased efficiency of workers or by investment in better production machinery.

By reducing work hours, the Kremlin is creating still another problem. With more idle time, the average Russian will want more consumer goods. Since the Soviet economy is geared to military and heavy industrial production, little attention has been paid to its people's desires. The communist leaders have concentrated on the types of production they feel will improve their power position in the world.

Soviet military spending is at about the same $41 billion as the U. S. However, since their total production is only about 44 per cent of ours, the military takes a much larger share.

"Experts who have studied Soviet achievements in steel production, heat-resistant metals, electronics, aeronautics, space technology, atomic energy, machine tools and the like come back with the general finding that the USSR is highly competent," Mr. Dulles reports.

"On the other hand, those who have studied what the Soviets are doing in agriculture, road-building, houses, retail trade, and consumer goods, including textiles, find them far behind us. Some recent returning visitors remarked with surprise that they can send a lunik to the moon, but don't make the plumbing work."

The chief concession to the peo-

SOVIET RECORD IN ECONOMIC RACE

(USSR output as percentage of U.S.)

ple's comfort is a huge housing program, slated to cost 375 billion to 380 billion rubles between 1959 and 1965. This is about 170 billion more than in the 1952-58 period. The goal is two rooms for each city family, but at least two families would still have to share baths and kitchens.

While the slogan, "Even America must be surpassed," is painted on cowbarns throughout the country, most Russians probably are secretly more eager to catch up with Finland and Austria, their next-door neighbors. Less than one Russian in 1,000 has a car, but there are about 20 automobiles for each 1,000 Finns or Austrians. Finland has about 69 washing machines for each 1,000 people, Austria 34, the USSR six.

Recognition of such lags led Mr. Khrushchev to order a speedup in consumer goods production several months ago. The annual production of washing machines is supposed to reach 1.2 million in 1961. The goal for automobiles has been raised one million for the seven-year period ending in 1965.

Population hobbles USSR

Russia's problem of catching the U. S. is aggravated by its larger population—210 million, compared with 179.5 million here. To supply each of its 50 million families with a car at the present production rate would take nearly 500 years. For each family to have a washing machine would take 50 years.

The consumer goods produced under the central planning system often fail to meet the people's needs. In a free economy, the manufacturers or merchants of such products would be forced out of business by lack of customers.

"But when the government is the seller, it doesn't go broke," Mr. Herman comments. "The only means of protest the people have is refusal to buy."

There's evidence that this protest is being exercised. *Izvestia* reported:

"There are now 250 million rubles' [$25 million] worth of surplus goods in the depots and warehouses of Kuibyshev Province. At the same time, customer demand is not being satisfied and the trade turnover plan is not being fulfilled."

Planning ministries are blamed. "The wholesale depots should influence production and apportion the available goods rationally," *Izvestia* says. "Unfortunately, this responsibility is completely illusory. The subordination of the depots to the Ministry of Trade has resulted in their complete isolation from the trade network."

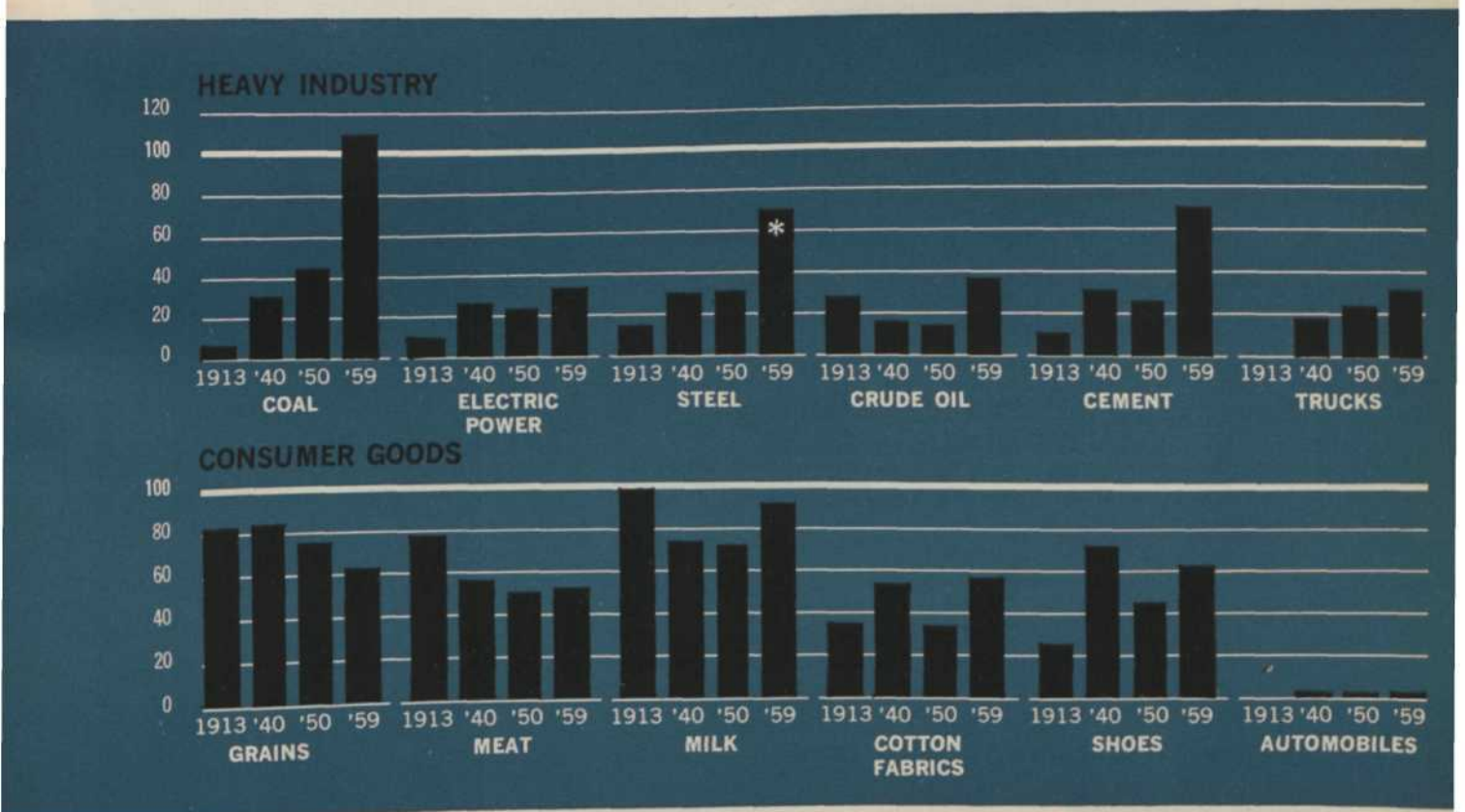
The Chief Grocery Administration was charged with failure to provide the public with spices, yeast and canned hors d'oeuvres, "but it has flooded the trade network with tobacco products and has sent out a year's supply of jam and macaroni."

Ladies' shoes are troublesome, too: "The front part has been perforated. A new style! But the shoes are worthless for summer; they are heavy, and the feet burn up in them. You can't wear them in the autumn either; water comes through the decoration. Of course people have stopped buying such a product."

Even when quality merchandise is available, most Russians have still another problem—lack of money. The average worker makes about 800 rubles a month, which have roughly the buying power of $80.

About 62 per cent of this goes for food, experts figure. Government-subsidized housing and utilities take another 10 per cent, leaving only about 28 per cent for everything else. Government-set prices on other

(continued on page 90)



* U.S. production reduced by strikes.


INDUSTRIAL UNIONS and TAFT-HARTLEY

COMING UNION TARGETS

Growth holds key to future power. Where, how organizers will hit next

BUSINESS faces new and stronger pressures from unions aiming to expand membership.

Unions are pumping vitality into their drive for more members, now that the problems of the AFL-CIO merger and union corruption are waning.

They have fixed their targets and planned strategy and tactics for proceeding toward the goal of a greatly enlarged membership. This was one of several major goals announced when the AFL and CIO merged in 1955. Today it is at the top of organized labor's aims. Leaders view growth as the key to future union effectiveness and, possibly, survival.

Main targets are the growing and changing industries; the increasing number of professional, technical and other white-collar workers; and the industries, cities and sections of the country where union growth has been slowest.

Vice President Jacob S. Potofsky of the AFL-CIO warns that if unions do not meet the challenges of the changing labor force and industrial scene with fresh vigor and imagination they may lose strength in the decade ahead.

"The labor movement cannot stand still," he says. "It will have to grow or it will decline."

The unions' problem, as their leaders see it, is that they are not growing as fast as the work force. In relation to the number of workers employed, unions are not expanding the proportion of union members as they did in the 1930's and 1940's; they actually are losing ground. During the 1930's, for instance, union membership increased from 6.8 to 15.8 per cent of the country's total labor force—more than double.

During the 1940's, the growth was not as much, but still considerable—from 15.5 to 22.4 per cent of the work force.

But in 1958, according to latest available Bureau of Labor Statistics figures, the 23.9 per cent union membership was below the 1951 level of 24.2 per cent, although there was a slight increase over 1950's 22 per cent.

This trend disturbs labor's leaders because they realize that their social and political—as well as economic—influence will weaken if they speak for a declining proportion of the country's workers.

As a result, unions are devoting an increasing amount of time, money and effort to get at the root of the problem and find ways to correct it. This task the AFL-CIO has given to a special committee under Walter P. Reuther, United Automobile Workers president.

These are what unionists view as the causes of the membership problem and what they are doing about it:

PHOTO BY FRED J. MAROON

New director of AFL-CIO drive for more members, Nicholas Zonarich, says success will depend on coordination—pulling all union resources together at right time and place as he did in organizing the aluminum industry. Seated at the left is his assistant, Carlin Allen

Causes

Basic cause of slowing membership growth is the changing character of industry—improving technology with its shift from blue-collar to white-collar workers, the shrinking of the production worker group, and the rapid growth of employment in service industries. Changes in labor laws contribute to the slowdown.

About 85 per cent of the AFL-CIO's membership is made up of blue-collar workers, which means that the group from which unions have drawn most of their members is shrinking while white-collar workers —harder to unionize—are increasing in number.

This shift in work groups is illustrated by these figures:

In 1940, workers in production industries outnumbered those in service industries 22.5 million to 19.1 million. Today the *(continued on page 42)*

GET READY FOR THE LUXURY BOOM

Growing incomes spur demand for more custom goods at right prices

THE NEXT BOOM—foreseeable for 1962-63—may go down in history as the first of the luxury booms.

The firms that prosper, not only in this boom but in those that come after it, will be those that are able to shift from mass markets to custom markets for services as well as goods without losing the efficiency that mass production and mass marketing make possible.

This dramatic shift will not come about because of any spectacular economic change. Rather it will be the cumulative result of almost imperceptible daily growth.

Anyone who has raised children knows how much such growth can mean. A 16-year-old has twice as many years as a youngster of eight. But he does not eat twice as much of the same things. His clothes have changed in style as well as size. His recreation is not twice as much of the same things he enjoyed eight years ago. He is an entirely different person and much of the change came suddenly. One day a girl smiled at him and he began to comb his hair willingly.

Eight years from now, at 24, he won't want 50 per cent more of the things he wants today. He will again be an entirely different person.

So it is with our economy and our markets. Our per capita output, for instance, has increased on the average only 1.75 per cent a year since 1900. But over 60 years this has meant an increase of 183 per cent. In 1900 per capita disposable income—in 1958 dollars—was about $700. It is about $1,915 today. The growth averaged about $20 a year—and both the things we make and the things we buy have changed drastically.

Autos have replaced carriages, taxis have replaced bicycles, jaunts to Europe have replaced trips to grandpa's farm, prepared foods and supplies have replaced the chicken pen and summer canning.

The rise in income put many types of firms out of business. It encouraged others to grow.

Now the 1960's promise to bring an income shift far more dramatic than anything we have witnessed in the past.

The increase in real disposable income per capita in 1959 prices was only about $17 a year from 1900 to 1910. From 1909-1919 it kept the $17 a year growth. From 1950 to 1959 it was about $27. A continuation of the present trend through 1970 would bring the increase to more than $30 a year in 1959 dollars.

Some comparisons will help us understand what this will do to markets.

From 1929 to 1950 the greatest increase in spending power was among families with $3,000 to $5,000 income. The number of families in this group increased by 7.9 million. Those with $5,000 to $7,500 income increased by 6.5 million. Those with $7,500 to $10,000 grew by 2.2 million and those with incomes of more than $10,000 increased by 1.2 million.

From 1950 to 1960 households with $5,000 to $7,500 increased most rapidly. This group grew by 6.11 million. Households with less than $3,000 income actually decreased by 2.4 million. The $7,500 to $10,000 group increased by 3.1 million and those with more than $10,000 by 1.9 million.

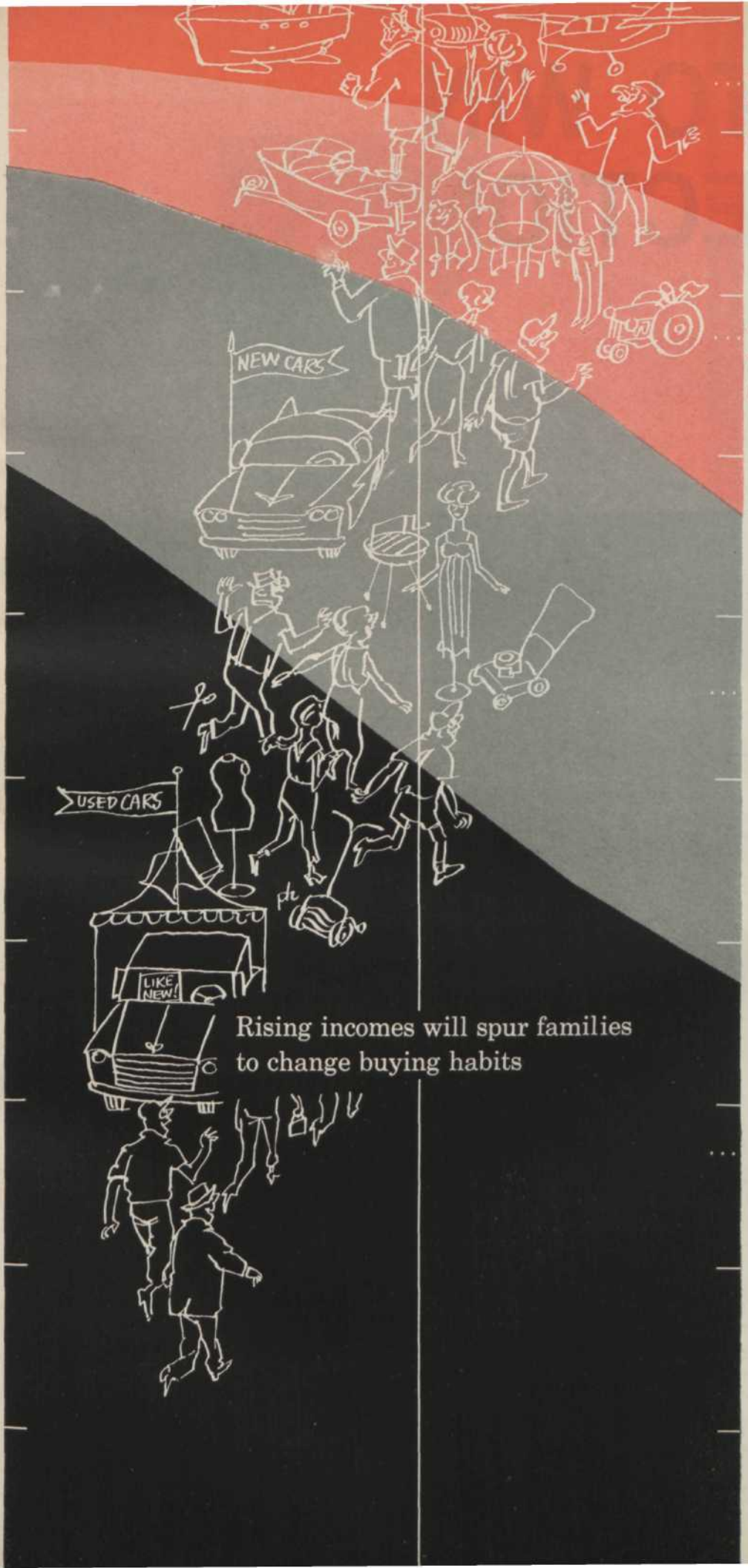
The coming decade promises a complete change in this picture.

Households with more than $10,000 income may increase by 5.8 million; the $7,500 to $10,000 group may grow by 4.9 million; the $5,000 to $7,500 households would add only 2.5 million, while the group under $5,000 may go down by 3.4 million.

While established mass markets may grow no faster than the total population and income, luxury markets can grow with shifts in income. Small shifts in income therefore may mean big shifts in markets.

For instance, if your company produces goods or services bought almost entirely by families with incomes over $10,000, your company has been producing for a luxury market which grew about six or seven per cent, on the average, during the 1950's. This market may grow by nine per cent per year in the near future, and it may more than double by 1970. This is not to say that your company will get twice as much business by 1970, or nine per cent more per year in the

(continued on page 66)



Rising incomes will spur families to change buying habits

... with **$10,000** or more spendable income* will nearly double in next decade

... with **$7,500** to **$10,000** income* will increase by more than 50 per cent

... with **$5,000** to **$7,500** income* will increase

... with up to **$5,000** income* will drop by estimated 25 per cent as millions move up to higher brackets

*after taxes
1959 dollars

HOW TO WIN AN ELECTION

Businessmen in this city apply practical politics to score victories at the polls



IT WAS NINE o'clock on election night before they knew for sure.

For days Lou Whitlock, Carlsbad, N. Mex., Chamber of Commerce manager, had been openly predicting a two-to-one victory for the Greater Carlsbad Ticket in the city election.

Some of the town's other business people, as deeply involved in campaigning for that slate, privately credited much of this assurance to Lou's natural optimism.

Just that morning, shortly after the polls opened, John Osborn, real estate operator, furniture store owner and one of the City Council candidates on the Greater Carlsbad Ticket, shook hands with his more experienced opponent on the Progressive Ticket and confessed that he fully expected to lose.

Certainly the men on the Greater Carlsbad Ticket and their supporters among the businessmen and other citizens in town had poured their energies into the campaign. They had put to work the theories they had discussed in the course in practical politics which 95 of them took.

But some townspeople insisted these businessmen were too idealistic and too inexperienced to play the game of politics and win.

Now, at a little after nine p.m. on April 5, as City Manager H. E. McMinn leaned over the long table in the municipal library annex calling off the final results from the last

STRATEGIST: *Newspaper editor and practical politician Jeter Bryan helped build city's winning ticket*



TEACHER: *C. Fincher Neal taught the political course and won nomination for state senate*

of the polling places, tension burst into excitment.

Everyone in the big room knew for sure that politics as practiced by these Carlsbad business leaders does pay off.

The Greater Carlsbad Ticket had swamped its opposition nearly two-to-one to climax as fierce a municipal election as anyone could remember.

An all-time high of 6,172 voters had cast ballots.

That's 52 per cent of those registered, as compared with a voter turnout of only 41 per cent in the previous election.

This proved dramatically what businessmen all over the country are now finding out: that they can work more effectively for better government through the art of practical politics.

To date some 70,000 citizens in 1,100 communities in all 50 states have taken or are about to take the newly organized Action Course in Practical Politics.

This is a basic 18 hours of training in political citizenship developed by the U. S. Chamber of Commerce to encourage businessmen to work in and for the party of their choice.

What happened in the city of Carlsbad is not just the story of a town election, candidates' personalities or local issues. It is a story of a spirit and purpose that stirred the citizens to action in the best democratic tradition.

The story begins many months before the April 5 municipal election victory.

Carlsbad, like every city, has its peculiar problems. It is a town of 25,396 people, set on a flat, sun-dried expanse in southern New Mexico. Economically, it depends heavily on the potash industry and tourists who come to see the subterranean wonders of nearby Carlsbad Caverns National Park.

The city badly wants softer water, more diversified industry and sound growth.

The city's forward-looking citizens recognize the importance of prudent, businesslike municipal administration and have been determined to carry out a program for a new water system, new industry, and carefully planned local development. Among those with a sharp eye on the future are lanky Jeter Bryan, editor of the *Carlsbad Current-Argus;* gregarious Lou Whitlock, the Carlsbad Chamber manager; E. O. (Denny) Moore, Jr., well liked insurance man, ex-rancher and former Chamber president; Jack Sitton, potash industry public relations representative, also an ex-president of the Chamber; and Ralph Callaway, nursery owner, city councilman and a former Chamber director.

These men, with the advice of dozens of other businessmen and citizens, were the prime movers in drawing together a slate of candidates—the Greater Carlsbad Ticket —and developing a winning program.

The vehicle they used to train themselves and their fellow campaign workers, to spark widespread enthusiasm and to give shape to their aims was the Action Course in Practical Politics.

"The National Chamber's political course had far-reaching effects," according to Editor Bryan. "It showed us how to organize a



STUDENT: *Virginia Di Iaconi, League of Woman Voters, applied principles that she learned in political action course*

PHOTOS: SHEL HERSHORN—BLACK STAR

campaign and smoothed the way for graduates of the course in their approach to other businessmen."

When the key strategists decided to put together a slate for the city election and organize their campaign, they were determined to follow the guidelines of their practical politics course.

They began their work with some confidence because practical politics had already had a test run on the school bond election last February. Chamber politics course graduates, led by E. O. Moore, Jr., were instrumental in getting a $1.9 million school construction bond issue approved almost 10 to one in an unprecedented turnout of 4,749 property-holders.

Two years before, the school bond issue had failed.

Mr. Moore, chairman of the Carlsbad Chamber's education committee, coordinated efforts to assure public understanding of what was involved in the bond issue and to get out the vote. A study of school needs was supported by the local chamber. All property-owners were contacted by phone by key workers who were their neighbors. Handbills urging citizens to vote were passed out by workers in specifically assigned areas; explanation and promotion were provided through all media.

The success of the school bond campaign was unquestionable. Many of the same techniques and activities could be applied. But selecting a slate of individual candidates was a more complex task.

It was agreed that these major guideposts would be used:

1. The most highly qualified persons would be asked to run.
2. The ticket would appeal to many segments of the voters but would have unity in purpose.
3. The campaign would be thoroughly organized to get voters to the polls, especially those who were most interested in the city's future development.
4. Everything possible would be done to inform the voters fully about candidates and issues, and voter enthusiasm would be sustained to get the maximum citizenship participation.

Needed were candidates who were not only qualified to administer the affairs of a city with a $1 million budget but who were willing to serve the community at practically no pay ($10 a month for councilmen, $20 a month for the mayor.)

High qualifications

Major traits and abilities looked for in prospective candidates for the Greater Carlsbad Ticket were these: Men who had gained the respect of the community through their actions and accomplishments and men who had a grasp of the city's problems and the potential to solve them.

The Greater Carlsbad Ticket was headed by H. C. Harvey, the dark-haired, soft-spoken first vice president of Carlsbad National Bank. Mr. Harvey is past president of the Carlsbad Chamber of Commerce, past president of the Lions Club, past master of the Masonic Lodge, board member of Carlsbad Community Hospital, member of the board of the Carlsbad Planning (Zoning) Commission; and president of the Carlsbad Development Foundation, Inc., a nonprofit agency run by city and Chamber of Commerce officials.

He has been treasurer for the Community Chest, chairman for budgets for the United Fund and helped organize a baseball Little League in Carlsbad. And he has served on various Bankers' Association committees.

Mr. Harvey had training in accounting and engineering. He has worked in a service station, grocery store and laundry. But since 1945 he has been in banking.

A resident of Carlsbad since 1938, Mr. Harvey had worked with city officials through his Chamber and banking duties often in the past. He is a graduate of the course in practical politics. Fellow candidates on the Greater Carlsbad Ticket describe him as "extremely conscientious," "realistic," "sincere," "one who encourages and guides businessmen in their ventures," and "a

PRIME MOVERS:
Key men in planning the campaign, defining the issues, and getting out the record vote for the Greater Carlsbad Ticket:



Jack Sitton

Denny Moore



Councilman Ralph Callaway





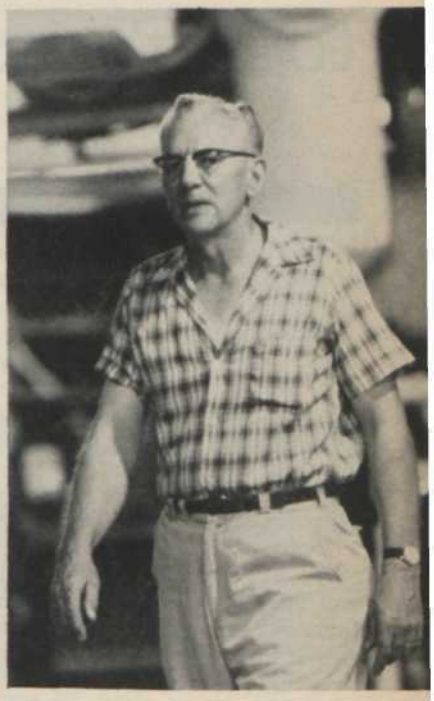
THE SLATE: *Banker and political novice H. C. Harvey led ticket as candidate for mayor*



Grocer Arnold Crabb won a seat on Carlsbad City Council



Furniture dealer John Osborn also was a first-time winner



Union man A. G. Boyce was re-elected on Greater Carlsbad Ticket

man who has a knack for saying the right thing at the right time."

Mayor Harvey told NATION'S BUSINESS he ran because he feels he has an obligation to serve in order to "repay a debt to a community that has been mighty good to me."

On the ticket with Mr. Harvey were four candidates for the city council:

John Osborn, tall, serious-minded businessman, has lived in Carlsbad for 10 years. He has never held public office before but as a motel owner with local interests in real estate and furniture stores has a vital interest in his community and where it is going.

"The spirit of the community is so important," Mr. Osborn comments, "I felt I had an obligation to try to add something to it." He maintains that too often "politics is approached on a selfish basis. Instead people in politics should think of it as a service. By helping people with their problems, a person holding office can make the public more content and improve the whole spirit of the community."

Mr. Osborn is on the board of trustees of Lubbock Christian College. He has been president of the Optimists Club and a deacon in the Church of Christ.

When he was first approached to run for council, he said "No." He said he would like to serve at some later time but he was not able to serve now.

Then, pondering this decision, he concluded that now was the right time because he seemed to be wanted now. So he ran.

Another political novice was Arnold Crabb, stocky 33-year-old former Carlsbad high school football star whose business sense propelled him from grocery store sack boy 20 years ago to owner of a supermarket chain today.

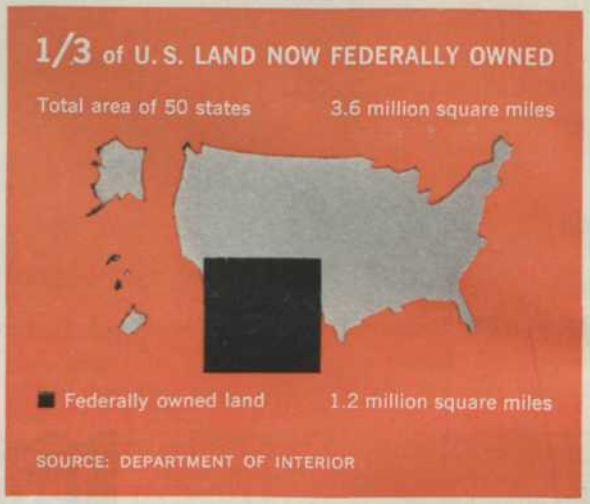
Graduates of the practical politics course got Mr. Crabb interested enough in city government to accept a place on the Greater Carlsbad Ticket. Before the campaign was

(continued on page 82)

An authoritative report by the staff of the

HOW'S BUSINESS?

today's outlook



AGRICULTURE

Another legislative year is expected to pass without major changes in the farm program.

No agreement appears likely on what to do with the wheat problem. Breakdown in the House of efforts to support either the Senate-passed wheat bill or recommendations of the Administration is not expected to be repaired during the postconvention session of Congress.

Pending before the session, however, are decisions on extending two laws which would affect many farmers and related businessmen.

One is the Conservation Reserve Program of the Soil Bank; the other is the Mexican farm labor law.

No new contracts can be made after the 1960 crop unless the Conservation Reserve is extended. There seems to be little enthusiasm for saving this program, despite appeals by the Farm Bureau and the Administration for expansion to about 60 million acres.

The Mexican farm labor law expires June 30, 1961. A two-year extension has already passed the House.

CONSTRUCTION

Construction volumes will move upward during the remaining months of this year.

Although the total dollar volume of new construction during the first part of the year was about two per cent below 1959, increasing strength in housing and highways, coupled with continued high levels of activity in nonresidential, utility and other private construction, point to high volume ahead.

Private construction, significantly, is running ahead of last year. The decrease of $501 million in the estimated total (private plus public) registered during the first five months of 1960 (compared to 1959) came from a $639 million drop in government construction, and a $138 million gain in private work.

In private construction, a drop of $601 million in new housing was more than offset by increases of $541 million in nonresidential building and $198 million in all other private construction.

The most important factor in the decline of government construction was a $263 million drop in highway work.

DISTRIBUTION

America's $12 billion advertising industry is fighting to thwart restrictive legislation.

The industry, spurred by threats of further government controls, has taken positive steps to exercise voluntary self-regulation.

Latest evidence is the Advertising Federation of America's new guidebook, entitled "The Advertising Truth Book." The manual outlines a program for action by local advertising clubs and includes guides identifying the most troublesome violations in advertising.

Announcing the new manual, a Federation official said: "The AFA is finally nailing down the abstraction called 'truth.' Truth in advertising is now codified into a usable tool—an instrument that will compute honesty."

CREDIT & FINANCE

Further easing of money is in prospect, but at a much slower pace.

The Federal Reserve appears to feel that it has gone as far as necessary at this time. But any overall slackening in business activity would quickly bring a further decline in rates.

Firming factors include prospective capital spending by industry, an indicated increase in consumer credit buying, and the Treasury's normal borrowing to meet the fall seasonal deficit.

The Douglas bill for disclosure of credit interest rates has been shelved for this year—but it will be reintroduced early next year. Its chances will depend largely on the complexion of the new Congress.

Minimum wage legislation—probably to $1.15—seems likely to pass in the after-recess short session.

FOREIGN TRADE

United States participation in a new international lending agency, the International Development Association, was approved by Congress on the eve of its recess.

As an affiliate of the International Bank for Reconstruction and Development, IDA is designed to provide loans for the economic development

of less-developed countries on easier terms than those now available. It supplements the lending activities of the Bank.

IDA also is expected to reduce U. S. foreign aid spending by enabling other industrialized nations to participate more fully in free world development.

It is estimated that if less-developed countries can be helped to increase local savings enough to lift their per capita incomes by even one per cent a year over the coming decade, they may well offer to the U. S. alone a market for an estimated $14 billion of exports by 1970.

An appropriation of $73.6 million, constituting the first of five annual installments on this country's $320 million total subscription in the multilateral agency, has yet to be approved by Congress.

GOVERNMENT SPENDING

When Congress recessed, it had cleared all but four of the major appropriation bills with little change in the over-all budget picture for the new fiscal year.

The $40 billion defense appropriation will be $661 million over the budget request, but offset by reductions in other departments.

The $4 billion budget for Health, Education and Welfare will be boosted somewhere between $184 million and $485 million, as recommended by the House and Senate, respectively.

The decisive overriding of the President's veto of the $750 million pay raise for federal employes was a major setback to the Administration's goal of a healthy budget surplus for fiscal 1961. Other prime threats to a surplus—scheduled for consideration when Congress returns—include medical aid for the aged, aid to education, and housing.

LABOR

A large question mark hangs over the nature of future U. S. employer participation in the International Labor Conference.

At the recently concluded forty-fourth ILO Conference in Geneva, American employers continued to protest the seating of so-called employers from the totalitarian bloc of communist countries by resigning from technical committees.

The ILO Conference annually brings together some 900 employer, worker, and government delegates from more than 80 countries to discuss major international labor and related social problems.

U. S. employers took the view that communist "employer" spokesmen were not true free employers, but communist government representatives who destroyed the tripartite structure of the conference.

Although resigning from technical committees, U. S. employers continued to participate fully in conference plenary sessions.

NATURAL RESOURCES

The trend of substituting administrative policy decisions by federal bureaus for statutory provisions in the administration of public lands continues.

For example, the Department of Agriculture has announced the reclassification of nearly four million acres of Land Utilization Project lands (formerly private lands acquired during the drought era of the 1930's), mostly in the Great Plains states, as National Grasslands under administration of the U. S. Forest Service.

This action permanently withdraws the lands from sale to local and state agencies as provided in the 1937 Bankhead-Jones Act. It will undoubtedly eliminate equal-value land exchanges, with adjacent or intermixed private ownerships, which may be necessary for the highest use and development of the land and resources.

Such administrative policy-making points up the need for an overall examination and evaluation of: the extent of federal lands and the efficiency of administration; how these factors affect the tax base, resource development and the economy; and the legislative authorities involved.

The extent to which public ownership is desirable as opposed to privately owned lands and resources in a free enterprise economy must also be examined soon.

TAXATION

Congress, eager to please voters in an election year, will be in no mood to consider any new revenue-producing bills when it reconvenes.

H.R. 7123, which would allow deductions for legislative expenses, might be rejuvenated but there is only a slight chance.

Another remote possibility is some form of relief from the *Scripto* decision. S. 3549, a bill by Senator Prescott Bush, Republican of Connecticut, would provide for a joint study with one now under way to give more firm relief from the *Northwestern States* and *Stockham Valves* decision. Interim relief from the *Northwestern States* and *Stockham Valves* decision was provided under Public Law 86-272.

Reporting date of the committees studying both matters would be on or before July 1, 1962, if S. 3549 becomes law. If not passed in August, the bill will probably be reintroduced in January.

Scripto deals with states requiring out-of-state businesses to serve as use-tax collectors—with liability for noncollection. The *Stockham Valves* and *Northwestern States* decision deals with income tax liability. It's possible that the Eighty-seventh Congress will consider these simultaneously.

TRANSPORTATION

The entire economy has a vital stake in pending legislation which relates to the right of a railroad to abolish certain jobs.

The current crisis has arisen because the Chicago and North Western Railway Company sought to close some small stations which had become of little or no use to the company.

The Supreme Court, in a 5-4 decision held in effect that the stations could not be closed without obtaining permission of a labor union or risking a strike.

The railroad, in line with the Interstate Commerce Act, has obtained approval of the commissions of South Dakota, Iowa, Minnesota and Wisconsin to close the stations. The Court decision places the union in a position of exercising a veto power over lawfully designated regulatory authorities.

The railroads should definitely have relief from the harsh results imposed on them. As the Supreme Court suggested, the only hope of relief is through enactment of the proposed legislation which provides that the terms and conditions of employment do not include the creation or discontinuance of jobs.

UNION TARGETS

continued from page 33

situation is reversed, with the service industries having the larger work force, 33.4 million to 27.2 million.

By 1970, BLS predicts the margin will increase still more, with 41.9 million in service industries, compared with 31.1 million in production industries.

Looking at it from an occupational standpoint, the picture is similar. The number of white-collar workers—clerical workers, professional and technical employes, proprietors and managers, and sales personnel—has increased from 22.4 million to 26.2 million in the past decade.

Over the same period, the number of skilled craftsmen, semiskilled operatives and unskilled workers—the so-called blue-collar group—have barely increased from 23.3 to 23.5 million.

As a further illustration, unionists cite figures showing a shrinking proportion of production workers by industries. They say the loss is greatest in companies and industries where technical innovation and expansion have been greatest.

Another cause of slow union growth is that the size of groups open to unionization is growing smaller, and chances of succeeding are also smaller. Gone are the lush organizing opportunities of the 1930's, when the giants of the mass production industries were prime union targets. Today organizing is harder and costlier, with diminishing returns.

Look at these figures:

Until the end of World War II, the number of workers involved in a union representation election conducted by the National Labor Relations Board averaged more than 200 each year, with a high of 684 in 1937.

In each of the first 10 years following the war, the groups' average ranged between 100 and 200. In recent years the annual average has been under 100 and, this year, it is running at an all-time low of 72 workers per election.

As the groups of workers get smaller, more of them are rejecting unionization. Until the end of the war, workers every year voted in favor of a union in at least 75 per cent of the polls conducted by NLRB. Since the war and passage of the Taft-Hartley law in 1947, the yearly average has ranged between 60 and 75 per cent union victories. This year, with tighter restrictions on unfair union organizing tactics imposed by the Landrum-Griffin labor reform law, unions are winning only 58 per cent of the elections, a record low.

The net effect has been that union membership has leveled off at around 17 million members in this country.

In the six years ending with 1958, membership ranged between 16.8 and 17.4 million. In the last three years, it declined to 17 million, the latter figure reflecting effects of the 1958 recession.

Action

Unions are approaching the problem two ways.

They are perfecting new strategies and tactics to attack the pockets of union resistance in some industries, companies and areas.

And they are modifying their structure and appeal to attract the types of workers on whom they will have to depend most for future members—the professional, technical and other white-collar workers.

The new organizing drive is being spearheaded by the AFL-CIO's Industrial Union Department. It is composed of large industrial unions and is headed by Mr. Reuther.

When organizing plans were being discussed at the AFL-CIO merger convention, Mr. Reuther made an impassioned plea for action, not words, and asserted that organizing the unorganized was a matter of economic and political necessity.

The IUD has launched a coordinated organizing drive much like the ones the CIO used so successfully in its early days. Resources of several unions are brought together in a concentrated effort. Targets have been picked and plans laid for attacking them.

First test of the new drive is Philadelphia, where a pilot operation was started by four unions—the UAW, United Steelworkers, International Association of Machinists and International Union of Electrical Workers.

Under the direction of IUD's new organizational director, Nicholas Zonarich, the four unions made a list of 87 Philadelphia area plants in which only one union was interested; there were no complicating jurisdictional conflicts.

With help and coordination from

WATCH FOR...

How to build the will to work

Motivation is high on the list of "must" skills for today's managers. A consulting psychologist explores the seven keys to the most effective motivation of people.

What unions want from government

Labor leaders have many objectives in setting in motion the biggest election machine in labor history. From this article you will get a clear picture of what they are after and their chances of succeeding.

First aid for worried workers

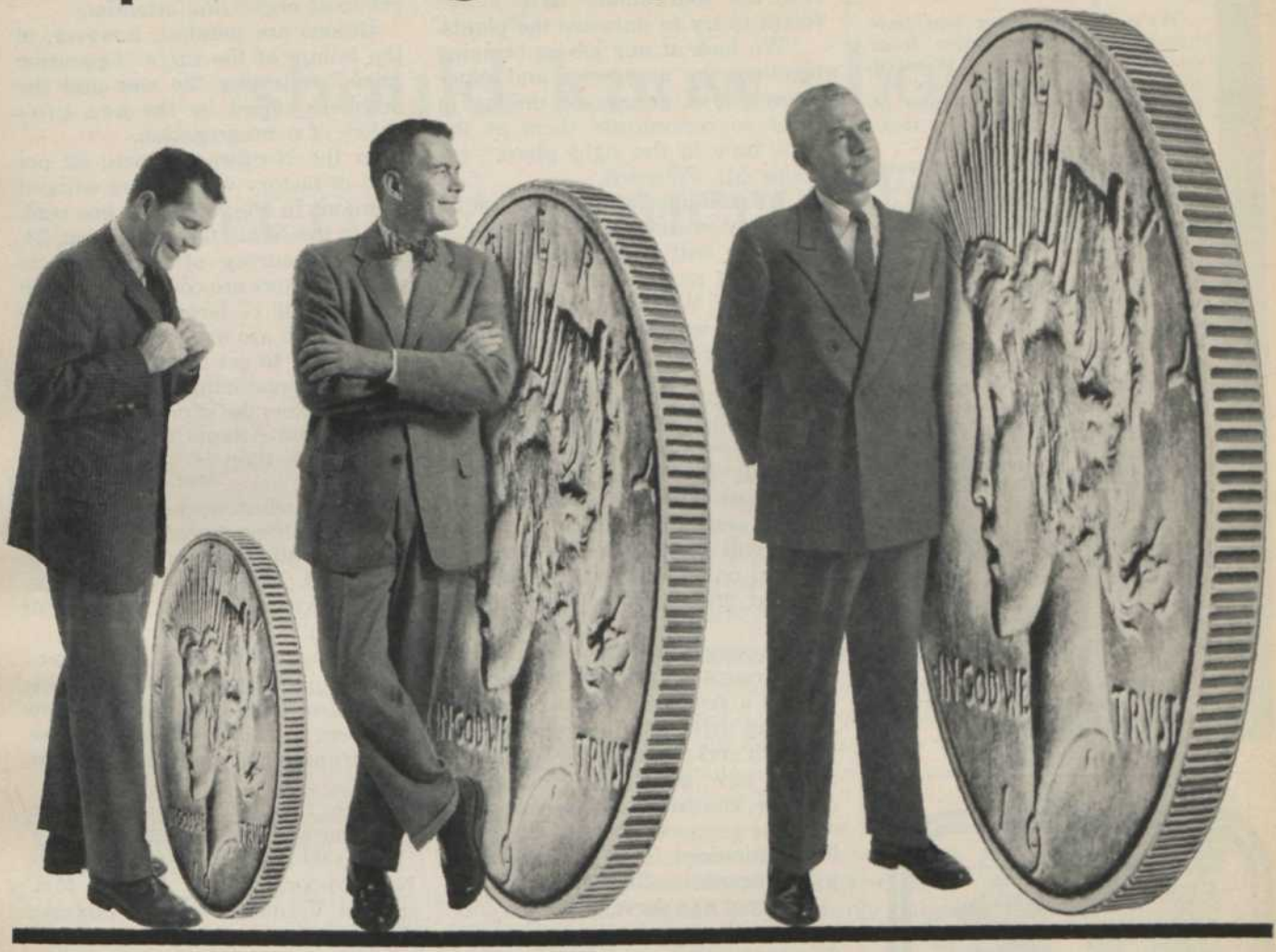
Mental illness now is recognized as a major cost to American industry. A spokesman for The Menninger Foundation tells what you can—and should not—do to help the afflicted employe.

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UNION TARGETS

continued

IUD, the four unions have joined forces to try to unionize the plants.

"We look at our job as bringing together the manpower and other resources of groups of unions in order to concentrate them at the right time in the right place," explains Mr. Zonarich.

"We're doing here what the CIO did many years ago. We have great hopes we will be able to get new organizing strength out of this coordination. We do not look for miracles, but we feel we are doing a job of coordination that has long been neglected.

"Once we get Philadelphia rolling, we will move on to other areas and other groups of unions which feel that they have something to gain from this type of action.

"We are confident that this technique will produce results and will be used on an ever wider scale."

What are the targets for unionizing?

Any company without a union or with groups of workers not unionized is a potential target of an organizing drive. As is customary in research and planning, however, the unions have set their sights on industries, companies and areas which offer the greatest potential—the ones least unionized. That is where they will concentrate their main efforts.

A recent BLS survey of union contracts in 21 manufacturing industry groups reveals a range from 30 to 90 per cent in the extent to which workers are covered by union contracts.

The average for all manufacturing is about 66 per cent. Those industry groups below average, and therefore more inviting to union organizers, are:

Textiles, 30 per cent; lumber, 44; leather, 49; furniture, 50; instruments, 52; miscellaneous, 54; apparel, 60; tobacco, 63; printing and publishing, 65; chemicals, also 65.

Those industry groups where the percentage of workers covered by union contract is above average, and thus less likely to be targets of union drives, are:

Machinery (except electrical), 68 per cent; food, also 68; fabricated metal products, 71; electrical machinery, 73; paper, 76; stone, clay and glass products, 78; rubber products, 81; ordnance, 84; transportation equipment, 87; primary metals, 89, and petroleum and coal products, 90.

Looking at the country by regions, it is obvious that the South, with more than half, or 54 per cent, of its manufacturing employes working without a union contract, will get most organizing attention.

Unions are mindful, however, of the failure of the CIO's "Operation Dixie" following the war and the problems raised by the AFL-CIO's policy of nonsegregation.

In the Northeast region, 32 per cent of factory workers are without a union; in the West, 27 per cent, and in the North Central region, 24.

A BLS survey of the extent to which workers are covered by union contracts in 17 large cities reveals those which are least unionized and thus likely to get most attention in the new organizing drive. Among plant workers the survey shows New Orleans and Atlanta to be the only cities more than 50 per cent nonunion.

Among office workers, Memphis and New Orleans are more than 90 per cent and New York, Baltimore, Cleveland, Minneapolis, St. Louis, and Denver more than 85 per cent nonunion.

Looking at the states, the AFL-CIO Department of Organization has listed their potential for new members in this order on the basis of percentage of workers not unionized:

More than 90 per cent—North Carolina and South Carolina.

81 to 90 per cent—North Dakota, New Mexico, South Dakota Mississippi, Vermont, Georgia, Virginia, Texas, Oklahoma, Florida and Nebraska.

71 to 80 per cent—Maine, Louisiana, Delaware, Idaho, Arkansas, West Virginia, Tennessee, Utah, Kentucky, Kansas, Alabama, New Hampshire, District of Columbia, Maryland, Wyoming, Iowa, Arizona, Connecticut and Colorado.

61 to 70 per cent—Rhode Island, Nevada, Massachusetts, Pennsylvania, New York and New Jersey.

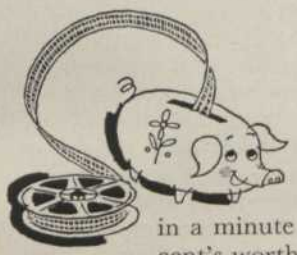
51 to 60 per cent—Ohio, Montana, Minnesota, California, Wisconsin, Missouri, Indiana, Illinois, Oregon and Michigan.

Less than 50 per cent—Washington State (41 per cent).

In a concentrated effort to find some answers to organized labor's No. 1 problem, the IUD brought 42 union officials and staff experts together at Harvard University for a four-day seminar on the problems which affect the unionizing of professional and technical personnel.

The conference warned that unless the labor movement breaks out of its blue-collar shell it will decline numerically and suffer a loss in its

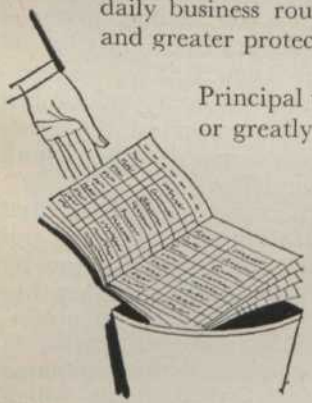
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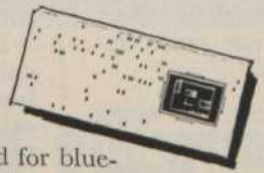
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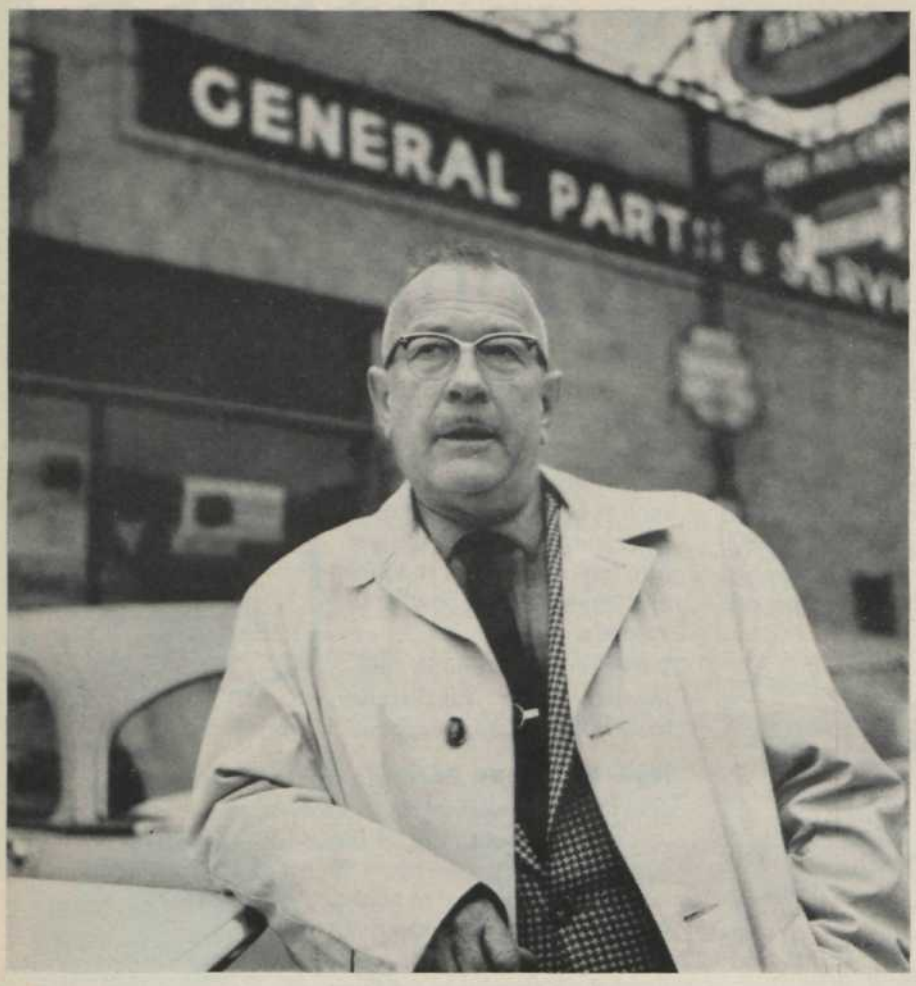
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UNION TARGETS

continued

economic, social and political position.

It pointed out that while the overall white-collar force has increased rapidly, the increase has been particularly notable among professional and technical workers in manufacturing industries.

From 1952 to 1959, in manufacturing, the professional and technical work force increased 60 per cent, while the clerical force increased between 10 and 11 per cent, the number of semiskilled workers declined 5 per cent and unskilled laborers declined 12 per cent.

The conferees cited these hindrances to unionization of the professional and technical worker:

- The nature of his work differentiates him from the production and maintenance worker with whom unions are more familiar.
- By education, training and nature of work, he likely feels a sense of identification as a professional.
- He exercises a greater degree of independent judgment.
- His work is more individualized.

But they also agreed that the changes in industry making for the employment of professional and technical workers by the thousands at one place are eroding many of the traditional characteristics of this group. Their ability to control their working destiny is undermined and they face many of the problems which caused other work groups to unionize.

The IUD conferees asserted that the unionization of professional and technical workers must be done by the large industrial unions, rather than by separate unions of professional and technical employes, in order to counterbalance economic power in the United States, which they say tends to revolve around a company or an industry.

But they recognize that changes will have to be made in the structure of union organization and in collective bargaining in order to attract and serve the white-collar worker.

Some unions already have made changes, such as establishing a separate division for salaried workers, setting up a separate vice president with specialized staff drawn from professional and technical ranks to help organize and bargain for these groups, or creating separate locals for them so that they may bargain separately (but with a



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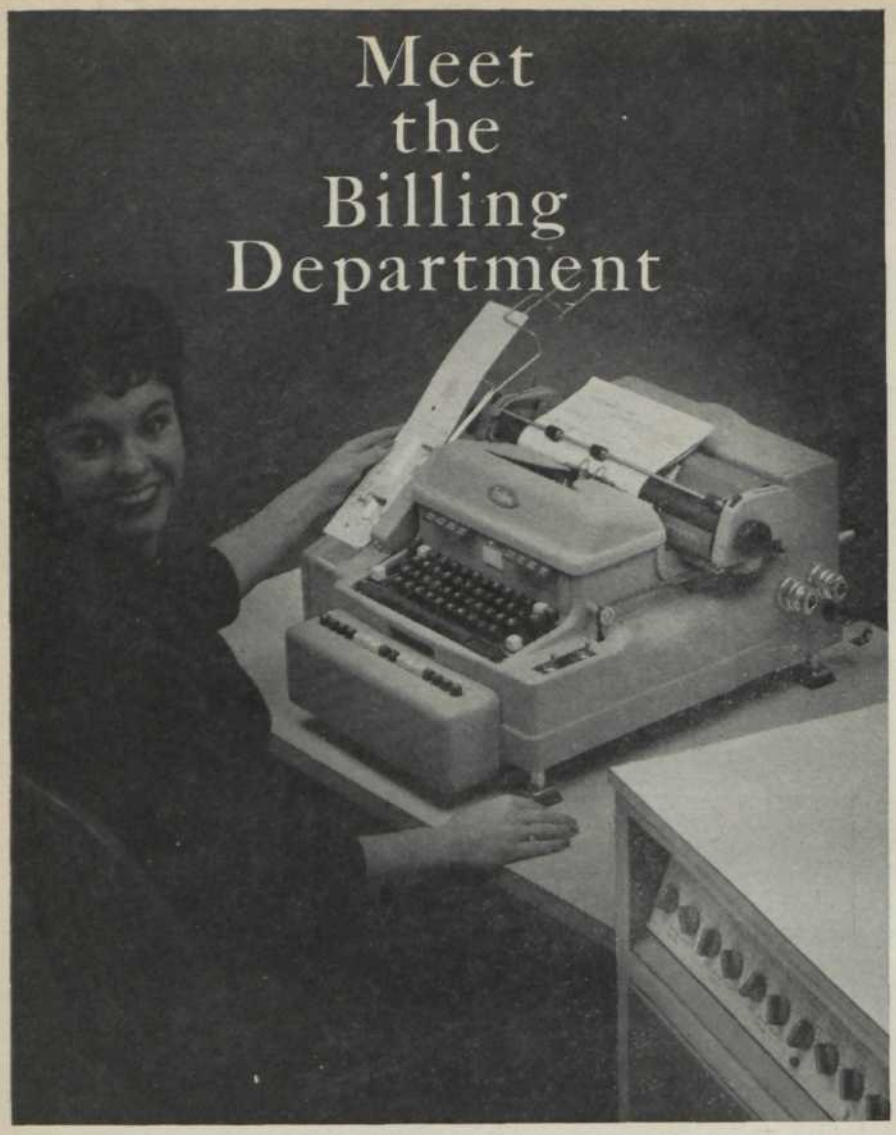
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SALES, SERVICE AND INSTRUCTION THROUGHOUT THE U. S. AND THE WORLD

UNION TARGETS

continued

common contract expiration date). The AFL-CIO is weighing the possibility of setting up an inter-union council to serve the interests of professional and technical workers which would include the many independent unions in this field.

On collective bargaining issues, the AFL-CIO admits that professional groups have different needs and interests from production workers, although there is a feeling that this, too, is changing.

Among them are a greater interest in pay based on merit and in travel allowances and less interest in seniority as a basis for promotion and in compulsory union membership.

On the latter, the IUD conference declared that professional workers are less interested in requiring their fellow workers to join the union only because, up to now, they have not felt a strong need for a union.

The conferees suggest that union organizers should not overemphasize compulsory union membership in the early stages of organizing professional employes, but at the same time admonish organizers not to undercut, misrepresent or compromise the issue.

The IUD plans additional research on the problems and attitudes of white-collar workers and specific training to help union organizers and other unionists who will be active in this field.

Unionists admit that progress has been slow in organizing white-collar workers and some recent losses remind them of the tough road ahead. The UAW's efforts to win over white-collar workers in the automobile industry suffered a setback when the union was rejected by some 1,000 clerical workers in a Chrysler plant.

Even more significant was an election among 6,750 engineers employed by Western Electric Company—the largest ever conducted by NLRB among professional employes. More than 60 per cent voted against the union which has represented them since 1952, thus removing the union as their bargaining representative.

Leaders of the AFL-CIO blame lack of progress on inexperience, poor organization, and inadequate financing, all of which they hope to correct. They warn businessmen that the organizing failures of the past should not be viewed as an indication of what the future holds. **END**

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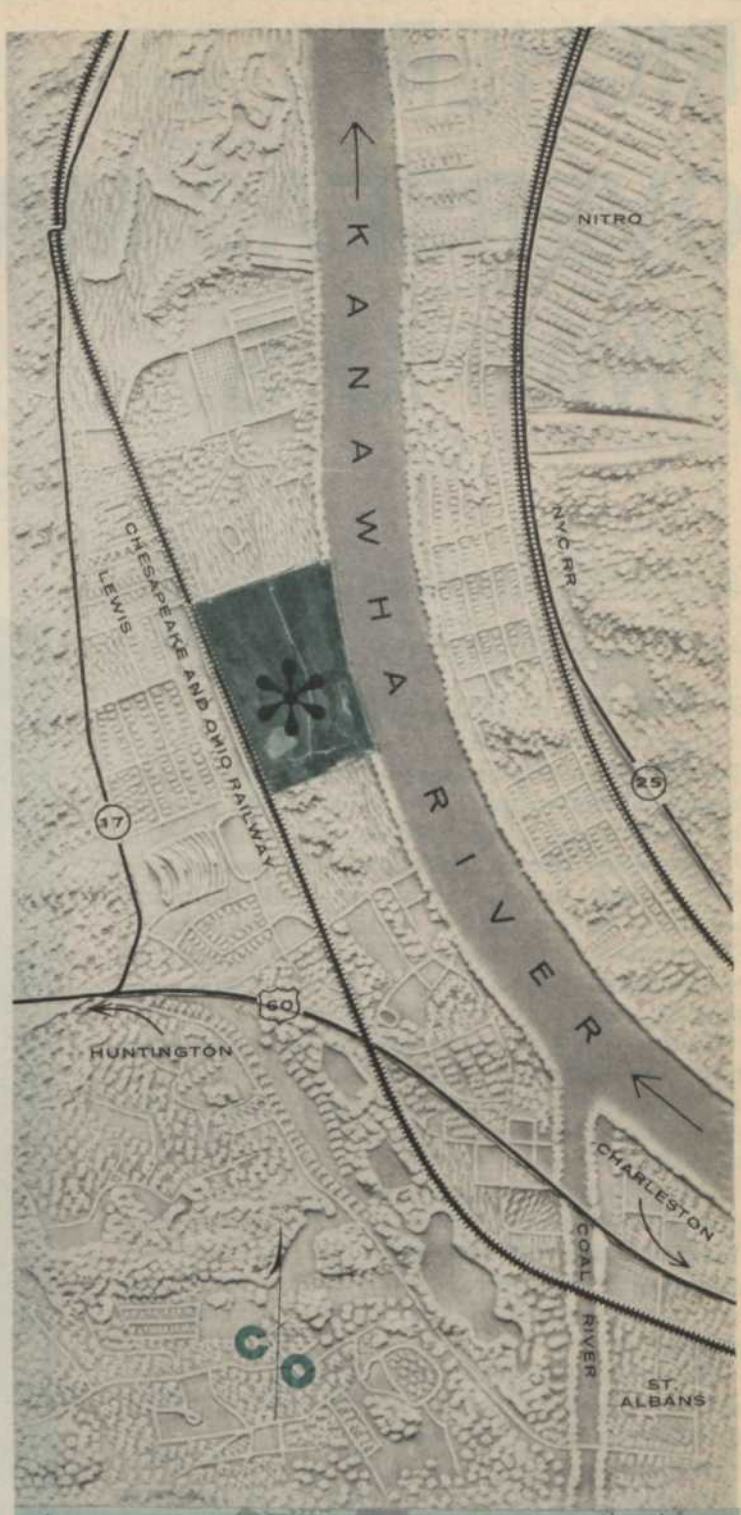
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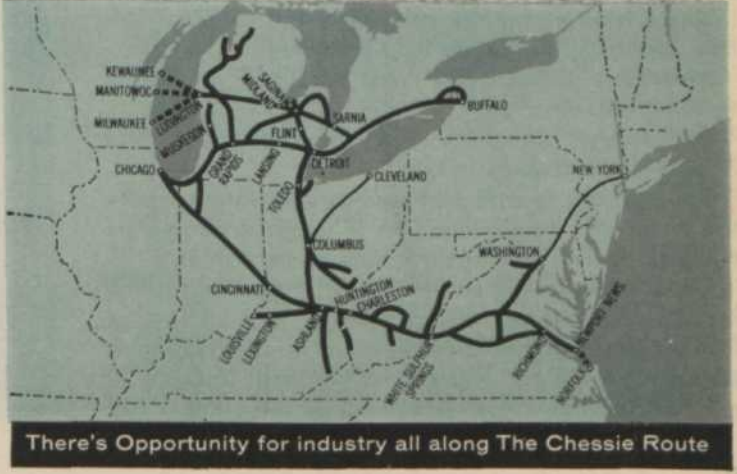
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RICHER OVERSEAS MARKETS AWAIT U. S.

Government, business export drive aims to reverse trade trend, revive confidence in the dollar

GOVERNMENT and business leaders, heartened by a substantial upturn in exports, hope to find ways for the United States to regain its share of world markets.

"The rising tide of productivity and prosperity in many nations creates a timely opportunity for mutual benefits from expanding world trade," President Eisenhower says. "By pursuing this opportunity, we can promote vigorous economic growth at home and abroad."

For its part, the federal government is increasing its trade missions, stepping up trade fair participation, listing more trade opportunities abroad, getting foreign trade barriers eliminated, and expanding its counseling services.

Some 300 top businessmen are cooperating in Department of Commerce committees aimed at focusing attention on new business opportunities abroad. They are urging U. S. firms to examine their overseas products, marketing methods, and prices to increase sales potential.

The reason for all this activity is America's balance of payments deficit, which could gradually weaken our economy seriously.

In 1956, we exported $17.4 billion of nonmilitary goods. In 1957 the Suez Crisis helped raise the figure to $19.4 billion. But in 1958 sales fell to $16.2 billion. Last year we barely held our own.

Meantime, imports rose from $12.8 billion in 1956 to $15.3 billion in 1959.

Our surplus of exports over imports fell from $4.6 billion to less than $1 billion.

Foreign aid, tourist and investment outlays more than offset the small surpluses in the past two years, creating deficits on the U. S. side of the ledger.

Exports began to recover late in 1959, and in the first five months of 1960 reached an annual rate of $19.2 billion. Shipments to Western Europe and Japan soared about 43 per cent and 49 per cent. Imports, in contrast, held to an annual rate about the same as last

TROUBLESOME TRADE TREND



Weak export sales (top line), plus steady growth of imports over last four years, helped create balance of payments problem for this country

year's. If the trend continues, it would bring an export surplus of $4 billion on an annual basis.

In spite of recent improvement, many dangers remain.

This country paid in 1958 and 1959 substantially more dollars to people of other nations than they chose to spend here—excesses of $3.4 billion and $5 billion. Foreigners used part of the surplus dollars to buy $3.4 billion of our gold. The rest they left here as liquid assets.

Not even the United States can long sustain such an imbalance. We cannot export gold forever. We cannot allow other people to accumulate liquid assets here so rapidly and persistently that they would question our ability to pay off in gold. A run on our gold might follow.

As the imbalances developed, one Swiss banker is said to have bet a case of champagne that the dollar would be devalued within three years. Foreigners have warned us against the dangers of inflation and of a loss of confidence in the dollar. A British magazine, *The Banker*, concluded: "Clearly, the dollar is now the world's problem currency."

Washington began to think about withdrawing U. S. troops from Western Europe as a means of cutting expenditures abroad. The Administration ordered that certain foreign aid funds be used to buy American goods. The New York Customs Office had to round up seven-digit stampers to number the import entries, where six-digit stampers used to suffice.

Pleas for protection from imports have increased so rapidly that the Tariff Commission asked for 45 per cent more funds.

People began to complain that we were pricing ourselves out of world markets.

Pressure of imports

Small foreign cars are the most visible evidence of our changed international position. In 1956, imports were about 100,000 units; three years later, they were more than 660,000. Imports in 1959 were 60 per cent above 1958. Detroit introduced the compact car, and imports in the first part of the year were only 1.4 per cent above their 1959 levels. But European producers began to cut prices and stepped up advertising and market efforts. The Fiat organization announced: "We are here to stay. We have no fear that anything America manufacturers will do will make us run down the flag."

Purchasing agents in many lines are shifting to overseas suppliers. The chairman of the board of Montgomery Ward stated, "As inflation has pushed our general price level higher and higher, more and more buyers have gone abroad to purchase at lower prices. At Ward's, about 30 of our buyers will go abroad this year. Ten years ago, none of our buyers went abroad."

Public awareness of imports is heightened by the fact that more consumer goods are being brought in. Now 34 per cent of our imports are finished goods, compared with 18 per cent in 1950. Since 1954-1955, all imports have risen 39 per cent, and finished manufactured imports, 115 per cent.

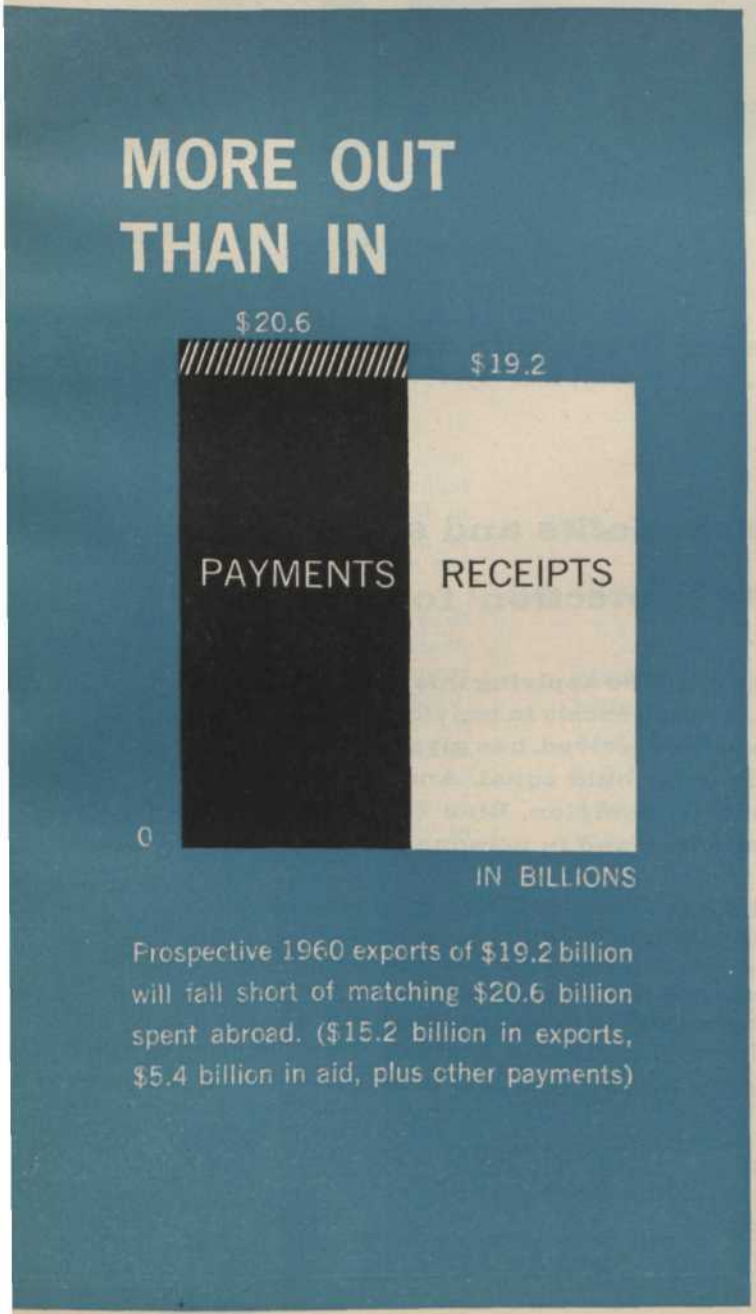
Imports during the 1950's were greater in proportion to our national output than in the years immediately after World War II. For the first six years of the 1950's, they averaged 3.1 per cent of output. In 1957 and 1958 they fell, but in 1959 they rose 3.2 per cent.

If all imports had merely maintained their ratio to national output since 1954-1955, they would have been about $1.5 billion lower than they were in 1959.

Major increases occurred in: 1, autos and parts, which were about $750 million above their ratio to the growth in national output; 2, iron and steel products, which were about $500 million greater; 3, nonmetallic minerals, up about the same, chiefly because of a rise in petroleum imports; 4, machinery, up by $330 million; and, 5, edible animal products, up by more than $250 million.

Vegetable foods and beverages dropped about $1 billion, chiefly because of a fall in the price of coffee.

One of the clearest examples of being priced out of





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Kittinger Company, Inc., says . . .

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OVERSEAS MARKETS

continued

world markets can be blamed on the U. S. government's price-fixing. Exports of raw cotton collapsed in 1958 and 1959 because the government subsidy on exports was not large enough to offset the high-support price of cotton in the domestic market when the world price softened. To make matters worse, the announcement early in 1959 that the subsidy would be increased in 1959-1960 encouraged buyers to delay purchases.

The export situation

The over-all picture shows that our share of world exports in 1959—17.2 per cent—was lower than at any other time in the 1950's. For manufactured exports alone, the U. S. share was about 21 per cent, compared with 23 per cent in 1958 and 25 per cent or more in three of the preceding four years.

These figures are not entirely satisfactory measures, however. For example, the U. S. share of manufactured exports was held down in 1958 because Canada, where we dominate the export market, had a slow year. This lowered the American share of total world trade more than that of other exporters.

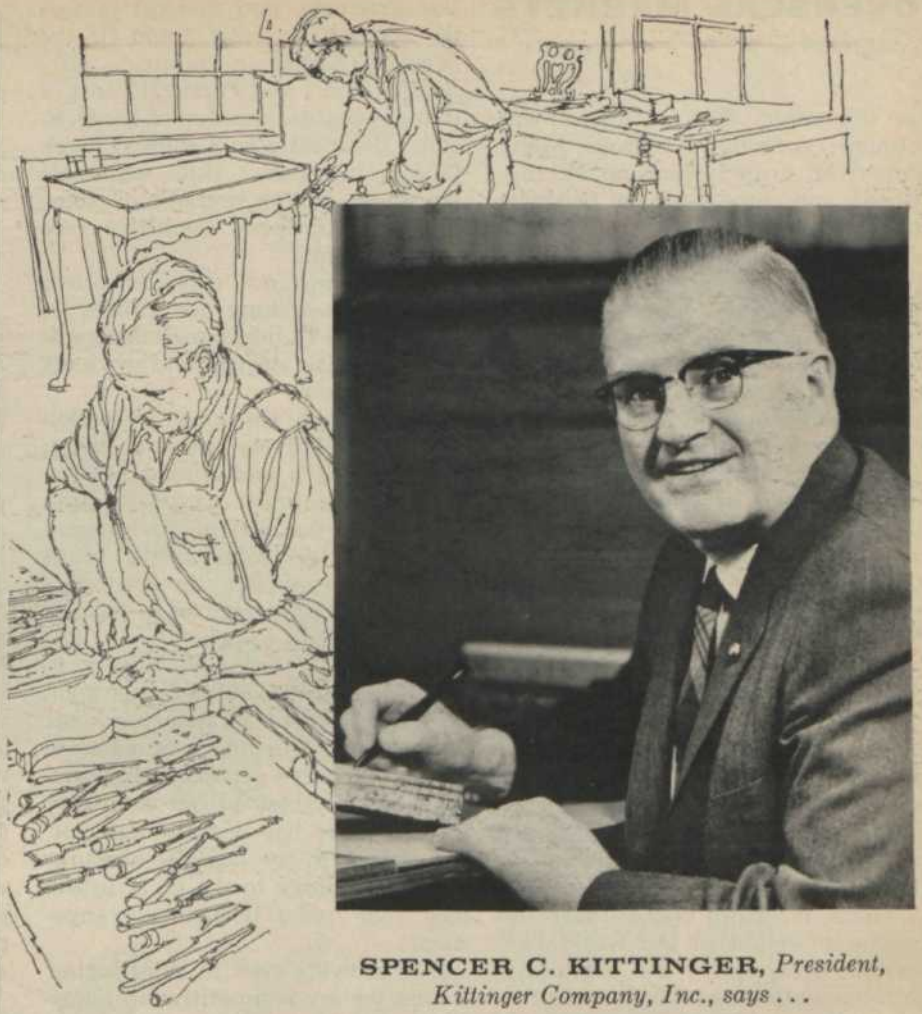
Furthermore, the rise in U. S. imports gives foreign nations a market which, by definition, is denied to U. S. exports. Every increase in our imports reduces our share of world export trade even though our exports remain constant.

To reduce the influence of such extraneous factors, the Department of Commerce recently compared U. S. exports of 45 groups of manufactured products to six different regions with exports from other leading industrial countries to the same regions. A major conclusion was that our share of exports to those markets fell by about six per cent between 1956 and 1958.

Study of each of the 45 product groups in the regions shows that the U. S. share fell in slightly more than half of the cases, remained the same in more than a tenth, and rose in the remainder.

Product groups suffering the greatest loss in market share, and also accounting for the bulk of the total loss, were aircraft, down 26 per cent; motor vehicles, down 24 per cent; iron and steel, down 17 per cent; and fabrics other than cotton, down 17 per cent.

Additional evidence of a changed competitive position for the U. S.



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is the rapid flow of investment abroad, especially to Europe. Many American firms have gone international, and some send the products of their overseas plants to the U. S. About one third of the typewriters imported last year were made in American-owned plants abroad.

In the past five years the ratio between private long-term investment overseas and producers' durable expenditures at home has increased over the previous five years. The same shift appears when only investment in overseas firms controlled by Americans is compared with producers' durable expenditures at home.

Why trade balance changed

A number of explanations for the troubles of 1958 and 1959 have been offered. Some analysts emphasize temporary cyclical factors; others see a basic shift in American preferences toward foreign goods, and still others contend that American prices and wage rates are out of line.

There is little doubt that the economic weight of the world has shifted. Since 1953, the combined national outputs of Western European countries have risen 28 per cent. But this is not enough to explain the trade troubles of the U. S. because, while expanded European production provides greater supplies for export, it also carries with it higher incomes which increase the demand for American products.

Data on prices and costs do not provide a clear-cut explanation either, although recent estimates by a Belgian bank indicate that labor costs per unit of output in six European countries fell 12 per cent since 1953 while they rose three per cent in the U. S.

An exporter warns that American goods are becoming increasingly uncompetitive in foreign markets because of price rises here.

A report from India explained that a loan from the United States government had not been spent because our prices on many capital equipment items are as much as 100 to 200 per cent higher than similar items in Europe and Japan.

Machine tool industry representatives tell the Commerce Department they cannot compete in price with foreign makers of standard tools.

No existing index permits precise comparison of export prices for similar products, and general indices do not tell a clear story. Of the Western European countries, only Switzerland's and Portugal's cost of living rose less than that of the U. S. since 1953; all others showed much larger increases. But wholesale prices or similar indices of some Western European countries rose less than ours.

One should not consider prices alone in searching for causes of trade shifts. Delivery periods, credit terms, quality, design, and servicing all play a role.

The recent European recession shortened delivery periods there, and there is a widespread impression that European exporters have been able, because of government help, to offer better credit terms than U. S. exporters, though this is presumably now rectified in part by new federal aid to exporters.

Much of a country's ability to hold foreign markets depends upon the development of new products. There is little evidence of a loss in U. S. innovative capacity compared with other industrialized countries, though there has been an interesting growth in the transfer of European technology to the U. S. in the past year under licensing arrangements.

The growing view in Washington is that we are competitive in many lines, but American businessmen have not taken advantage of existing opportunities for export. For example, a Department of Commerce team of investigators found "little evidence of initiative on the part of U. S. exporters to exploit opportunities in Australia."

The rapid advance in exports and the steadiness of imports in the first five months of the year are cited as indicating that our difficulties in 1958 and 1959 were temporary.

About one fourth of the increase in exports came from larger sales of raw cotton, reflecting the additional government subsidy on export sales and a decline in the domestic support price. Wheat exports also increased, but this was largely a bogus gain since we are paid in foreign currencies which we give or lend back. Exports of steel products recovered from their strike-depressed levels of late 1959. Machinery, aircraft, and automobiles showed gains.

On the import side, petroleum imports fell 11 per cent from the levels in 1959, which were inflated in anticipation of the mandatory import quotas. Steel imports fell sharply, presumably marking the end of the strike-induced inflow of foreign steel.

Despite these shifts, a major question mark remains.

The increase in U. S. exports results largely from a return to high levels of economic activity in the major foreign industrial areas. This is the best climate for U. S. exports and the least favorable for imports. Yet, we may still not balance our receipts and payments abroad in 1960.

Last year we paid out about $5.4 billion for services, aid, and investment abroad. If these payments remain steady in 1960, and imports hold at the $15.2 billion rate of the first five months of the year, foreigners will receive $20.6 billion from us in 1960. If exports continue, as in the first five months, at $19.2 billion, then foreigners will have $1.4 billion to buy our gold or add to the foreign-owned liquid assets in this country, increasing the threat to our gold.

If we cannot balance our accounts in periods of high activity abroad, many doubt we can do so during slow periods. Some feel that the United States has become a marginal country so that, in periods of low world demand, our exports will be the first to fall and domestic production which competes with imports will decline while imports remain relatively steady.

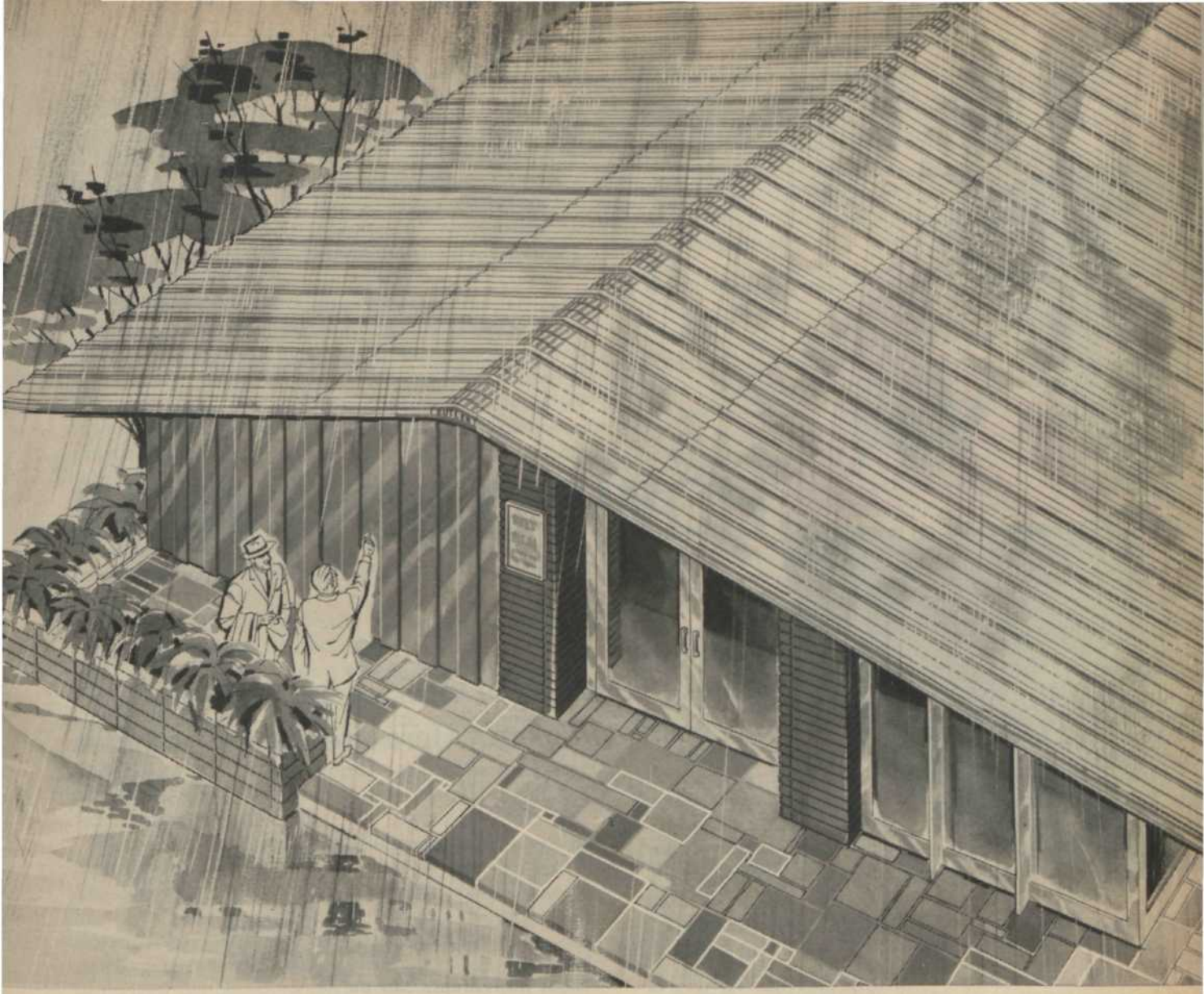
Prosperity abroad will shift customers here.

If so, we are still not out of the woods. The imbalance in receipts and payments this year will be multiplied in the next world recession. Our export and import-competing industries must become more competitive. But they can't do so if they are hampered by inflation, unless other countries have a bigger inflation and price themselves out of our markets.

This is less likely than in previous years. An organization of 18 Western European countries recently stated that "The problem of wage and price inflation is likely to be felt again this year, although it may well be less acute than in the past." Perhaps the Europeans have learned their lesson.

We would do well to remember the conclusion of a study made a few years ago: For the major industrial countries, between 1948 and 1953, a one per cent change in the ratio of their export prices was accompanied on average by a 1.7 per cent change in the ratio of the volumes of their manufactured exports. Prices are important.

—WILSON E. SCHMIDT, *economist, George Washington University and Johns Hopkins University*



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HOW TO DO IT NOW

Failure to complete vital assignments on time is a costly problem. Here are ways to solve it

EVERY MANAGERIAL ASSIGNMENT has its day of reckoning—the deadline.

Consultants have found that failure to meet deadlines is a universal, recurring and costly problem. No company is immune.

Deadlines are missed for many reasons: organizational bottlenecks, poor boss-subordinate relations, misunderstanding of assignments and due dates, improper work habits and attitudes of individuals.

The business that fails to fulfill bid deadlines can lose valuable contracts. The company whose executives fail to complete their assignments on time jeopardizes its position in union-management negotiations, or in procuring raw materials or facilities at the best price. Vital sales campaigns have been wrecked by unmet deadlines.

Fortunately, positive steps can be taken to assure that important business deadlines are observed. Where these steps are followed, the company will benefit from improved decision-making, better planning and protection against loss of competitive advantage.

The steps require alert action by three parties:

- The individual manager.
- The manager's boss.
- The company.

What individuals can do

A manager can increase his capacity for meeting deadlines by recognizing the most common reasons for failure. These include:

TOO MANY ACTIVITIES: Deadline misses increase as managers rise higher up the ladder and find themselves with more diversified responsibilities and with more pressure in a competitive company environment. Carl Heyel, speaking from extensive experience as a management consultant, maintains that "the man must learn to gain control over his work day. He has to separate the essentials from the nonessentials which hit his desk, give proper weight to every activity, know how to simplify a workload, cut corners where possible and avoid stack-ups."

The manager must be alert to understand priorities as they flow down from higher management. While he can question, discuss and even criticize assignments in some instances, the important thing is that he understand them, be informed of their significance and be loyal to the objectives when the discussions are over.

Some individuals find it useful to write down the most important things they must do in the next day or two. This priority-calendar technique serves as a

reminder and helps them avoid time-robbing trivialities in their work.

LACK OF TIME: A manager must realize that time is his most precious raw material and must discipline himself to use it wisely. One way is to consider the consequences of stalling. Tough as it may be, he has to accept the fact that stress is an unavoidable element in the life of a manager and face up to situations positively.

After discussions, the controller and the personnel director in one organization decided that two workers in the accounting unit were problem employes and that a case could be built for disciplinary action. While the quality of their work was satisfactory, they violated company regulations and on several occasions impaired the morale of the work unit by circulating false rumors.

The controller was to write up the cases for disciplinary action by a certain date. Finding this a distasteful assignment, he put it off. The case was completed and presented for action three months after the set date.

By the time action could be taken the annual merit-rating period arrived. The employes contended that the disciplinary action was deliberately timed to deprive them of possible increases in pay. To ward off any whispering campaign which would injure the reputation of the company's personnel relations program, it was decided to drop the case. The controller was thus saddled with the two undesirable employes for a longer period.

The individual should experiment with ways of finding blocks of uninterrupted time. He can coach his secretarial staff so that time is not lost in searching for files, reports, records. He can cut down on time-robbers—excessive meetings and interviews, too much paperwork, reading, socials, pet projects and prolonged deliberations over decisions. He can learn the abilities and talents of subordinates so that he can redelegate part or all of his work with more assurance.

In an electronics company the director of engineering asked a branch head to scrap several old engineering designs and to have new ones ready by a certain date. They agreed that the growing interest in closed-circuit television would place the company in a better competitive position if the new designs were ready on time.

The branch head failed to redelegate the assignment to his senior engineers, went on an extended business trip and returned to find his desk loaded with matters which required his attention. He missed the deadline by two months. The company had to continue with its old designs—to the detriment of its competitive position.

ATTITUDE: Finally, a manager builds capacity for measuring up to deadlines by developing an open-mindedness to new and better ways of coping with his responsibilities. He should experiment with new ways of doing things if his present work habits repeatedly get him into deadline difficulty. He should be more resourceful in utilizing the services of the statistical, personnel, library, quality control, and other company units which can help prepare materials needed for meeting his assignment. This open-mindedness extends, too, to willingness to consult with his boss for clarification and counsel.

He should not expect the boss to bail him out but he can generally count on a profitable discussion which will facilitate his approach to and progress on the assignment.

What the boss can do

The boss must be concerned with the clarity with which he gives assignments, if he is to count on subordinates to come through. He should state precisely what is expected, how it fits into the larger plans of the company, and the date when the assignment is to be completed.

A boss's inability to utilize the talents of staff men, thus overloading his operations subordinates, is a recurring problem. The exclusively line-minded superior usually has a spotty record of deadline observance.

Inadequate follow-up and unsatisfactory control points on the assignment are also frequently to blame when deadlines are unfulfilled.

The director of administrative services in an office equipment manufacturing company directed the supervisor of the graphics and reproduction section to prepare a lively presentation for the annual report.

Then the superior cut himself off from further communication. The subordinate was harassed because his section faced its peak period of requests for graphics services from all parts of the organization.

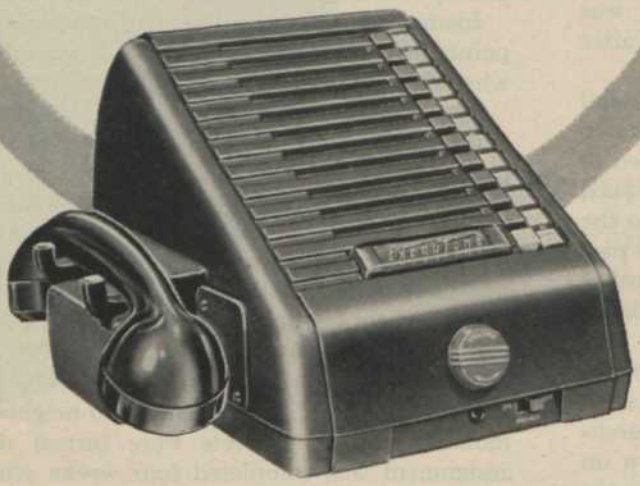
Several times he asked for some relief so that he could examine other annual reports and chat with industrial editors in companies in two neighboring communities. These requests were turned down. The assignment was completed four weeks after the due date and just barely in time for the planned revision of the report.

A boss is expected to listen to explanations and ideas for modifying proposed assignments. However, he should show impatience with alibis and excuses. He can also watch for the fatigue factor which affects the subordinate and, at times, help him get relief from too much stress. He can advise and coach the subordinate in more judicious use of time, approaches in diagnosing problems and moving toward their solution, keeping priorities in sharp focus, streamlining his operations; but he must guard against second-guessing subordinates on assignments, showing undue impatience, or trying to prove that his subordinates are wrong. The relationship should be one of firm and positive criticism in a friendly and constructive setting. Above all, a boss must make it clear that subordinates are accountable for meeting deadlines.

A fabric company had to fire a section head because interviews with his five subordinates, independently at their appraisal periods, showed up a mass protest of his tactics. The men never really knew whether or not a deadline on an assignment was valid. They did not want to go over his head.

They resented it when, at performance appraisal time, the reviewing official reminded them that they had missed certain key deadlines on assignments. At

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that point they disclosed the situation they had to live with. They felt they were not accountable for the deadlines which were missed.

What the company can do

The company should provide the climate in which a manager can perform creditably. Its most notable contribution must be timely and effective communication in regard to company aspirations, plans, priorities, and presentations.

Policy statements need to be in writing, clearly expressed, and up to date. The professional tone of the company should be such as to encourage high standards of managerial performance and accountability.

A company can also remove bottlenecks and obsolete procedures in regard to approvals or clearances. It can improve access to sources of information. Realistic planning and allocation of managerial workloads are essential.

Two years ago a company had to put aside its planned diversification of research and development for a year because it failed to recruit scarce technical specialists in the competitive manpower market. The reason: Two of the department heads did not estimate their needs in time.

Subsequently, the company set up a technical manpower unit in the personnel department and instituted a system of regular reports on personnel statistics and projected needs. It was then able to alter the climate, overcome the barriers to deadlines, and compete for its share of technicians at the strategic time.

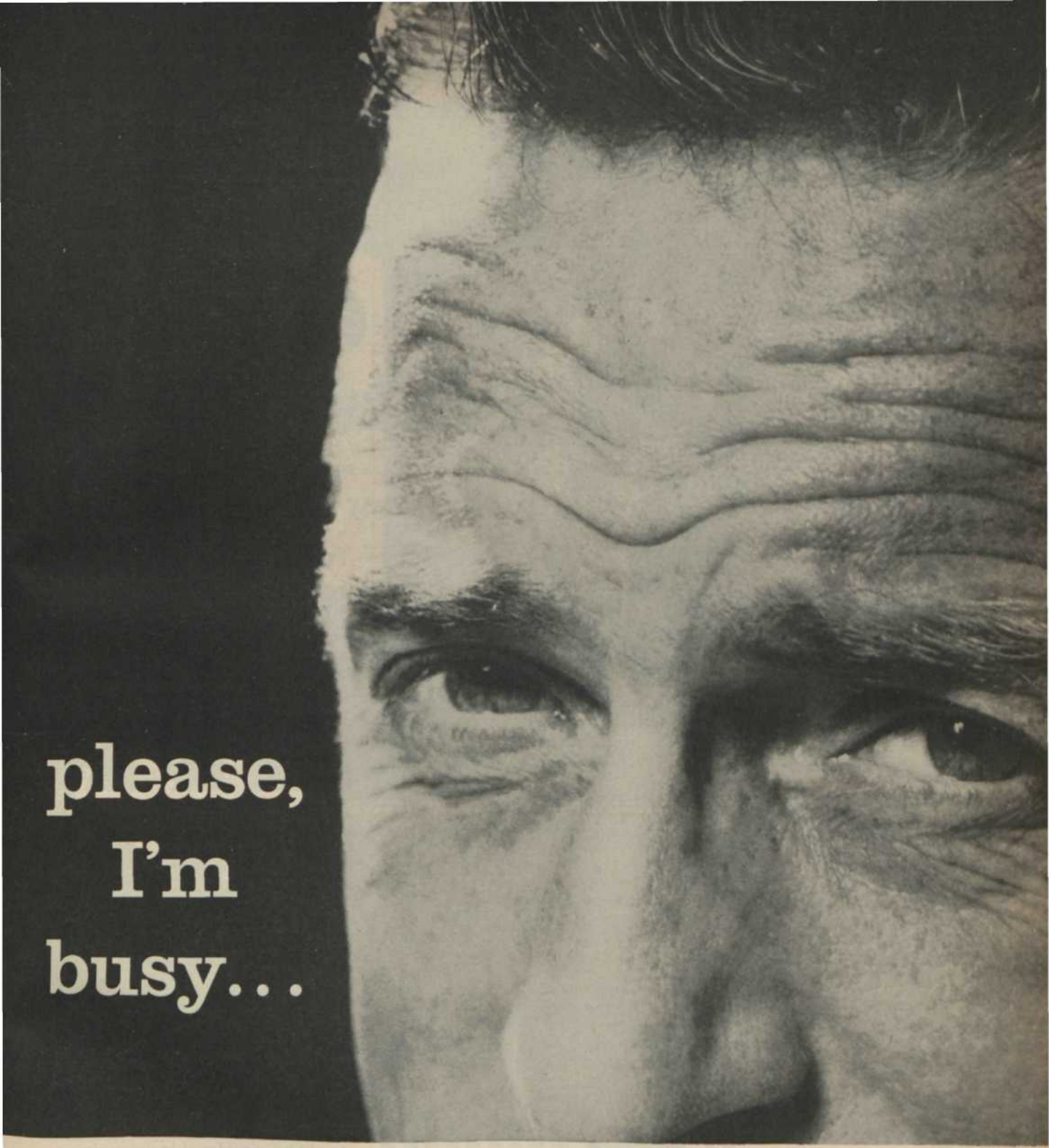
Other factors which impair deadline observance include:

- Careless office management, which breeds poor filing systems and hard-to-find records, correspondence, and statistics.

- The laborious process of getting through the maze of channels for clearances and approvals.

- Committee set-ups where projects get snarled until they are reassigned to an individual who must complete the task in record time.

There are times when a deadline can be broken voluntarily. There is no virtue in rigidity for its own sake. Dictatorial and unreasonable supervisors who insist that deadlines be met at any price are not an asset. The price may be too high. There should be a margin of flexibility to



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DO IT NOW

continued

fit the circumstances and just as management makes deadlines so it can also break them—that is, it can postpone, extend, modify, or withdraw the deadline date.

The question is when to break the deadline. It cannot be done, obviously, on the basis of favoritism or indiscriminately.

The deadline date can and should be extended, depending upon the circumstances of the case, when:

At a reasonable point the manager gives his boss advance notice that meeting the deadline is improbable. He should present good justification.

A different assignment having equal or higher priority has been given the man after the original assignment.

Plans have been changed.

The department or branch is chronically understaffed and recruitment has been slow.

The delegated assignment is found to be over the man's head.

It would not impair the schedules of some allied assignments.

Re-examination shows that the original deadline was unreasonable in light of the magnitude or complexity of the task.

These are some guidelines which should be considered in determining if and when breaking a deadline date is warranted. But the circumstances involved must be judged in each case. This is the only rational basis on which waivers can be made.

—NATHANIEL STEWART

REPRINTS *of "How to Do It Now" may be obtained for 10 cents a copy or $7.00 per 100 postpaid from Nation's Business, 1615 H Street, N. W., Washington 6, D. C. Please enclose remittance.*

Want a capsule report on the important trends in vital sectors of American business? You'll find it on **page 40,** in department headed "How's Business?"

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▶*stands for precision-built adding machines*

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"addo-x" stands for a diversified line of adding and calculating machines...machines which will cut your figuring costs. Newest member of the "addo-x" family is the economy priced model 44E adding machine. Many well-known companies have found it to be a most efficient replacement for larger and more costly machines for all adding machine work up to 7/8 capacity. It will pay you to standardize on "addo-x"—made by the world's largest manufacturer of ten-key electric adding machines. See your dealer or write: "addo-x" 300 Park Ave, New York 22, New York

TAKE HAZARDS OUT OF FORECASTING

Here are some guidelines that any business can use

BUSINESSMEN trying to plan ahead six months or so can eliminate many uncertainties about the future by observing one simple rule:

Instead of looking primarily at the immediate current trends, look first at the basic factors, keeping an eye out for immediate minor changes that may set you back or shoot you ahead for a month or a quarter or two.

If the news is pessimistic today, don't assume that it will be pessimistic six months from now. Or, if it is optimistic today, don't assume that everything will continue to be rosy.

Already this year we have had wide swings in business sentiment. In January optimism was rampant. February and March brought pessimism. April and May brought more optimism; June, more hesitancy.

In spite of these swings, the basic underlying pressures in the economy have been upward, just as they were in 1950 and 1955 when, as this year, the mood early in the year was pessimistic. It will be useful to compare the recent pessimism with that of 1950 and 1955, using new orders as an illustration.

New orders reached a peak of $18.2 billion in September 1949. The January 1950 figures, which became available in March, showed the figure had dropped to $17.6 billion. The February figure, which became available in April, was $16.9 billion. The number of rising leading indicators of the National Bureau of Economic Research had reached a peak in the fall of 1949. The rate of rise in the 21 indicators as a whole reached a peak in February 1950 and then started to decline.

All this tended to support pessimism. But what happened? Industrial production rose. Personal income went up six per cent from September 1949 to March 1950. The rise was well on its way before the impact of Korea.

The story was similar in 1955. Several of the leading indicators declined throughout much of the year. Net new orders, seasonally adjusted, came to $25.3 billion in December 1954. In January 1955 new orders were reported as about steady but the figure was later revised downward. Unfilled orders as a whole in January 1955 were $8 billion below those of January 1954. Unemployment was higher than it had been in January 1954.

Failure liabilities had reached their low point in the fall of 1954. They rose sharply until February, dropped in March and April to about the average for 1954, fluctuated until October, and rose sharply again. Average hours worked rose during the spring, then declined. Residential building dropped almost steadily until November. New incorporations hit a peak in January and March, and their low point for the year in November. The 22-commodity price index declined slowly from the middle of 1954 through 1955.

Yet not only did 1955 turn out to be the best year on record, the increase over the previous year was the greatest in peacetime history. As a matter of fact, the increase of $28 billion in the gross national product (total output of goods and services) in 1950 as measured in 1959 prices was a record until the increase of $33 billion in 1955 surpassed it.

The pessimism in 1950 and again in 1955 came from looking at ripples on the surface rather than at the basic tide. Consumers had incomes and savings adequate to buy more than was being produced. They were willing to buy and they did buy.

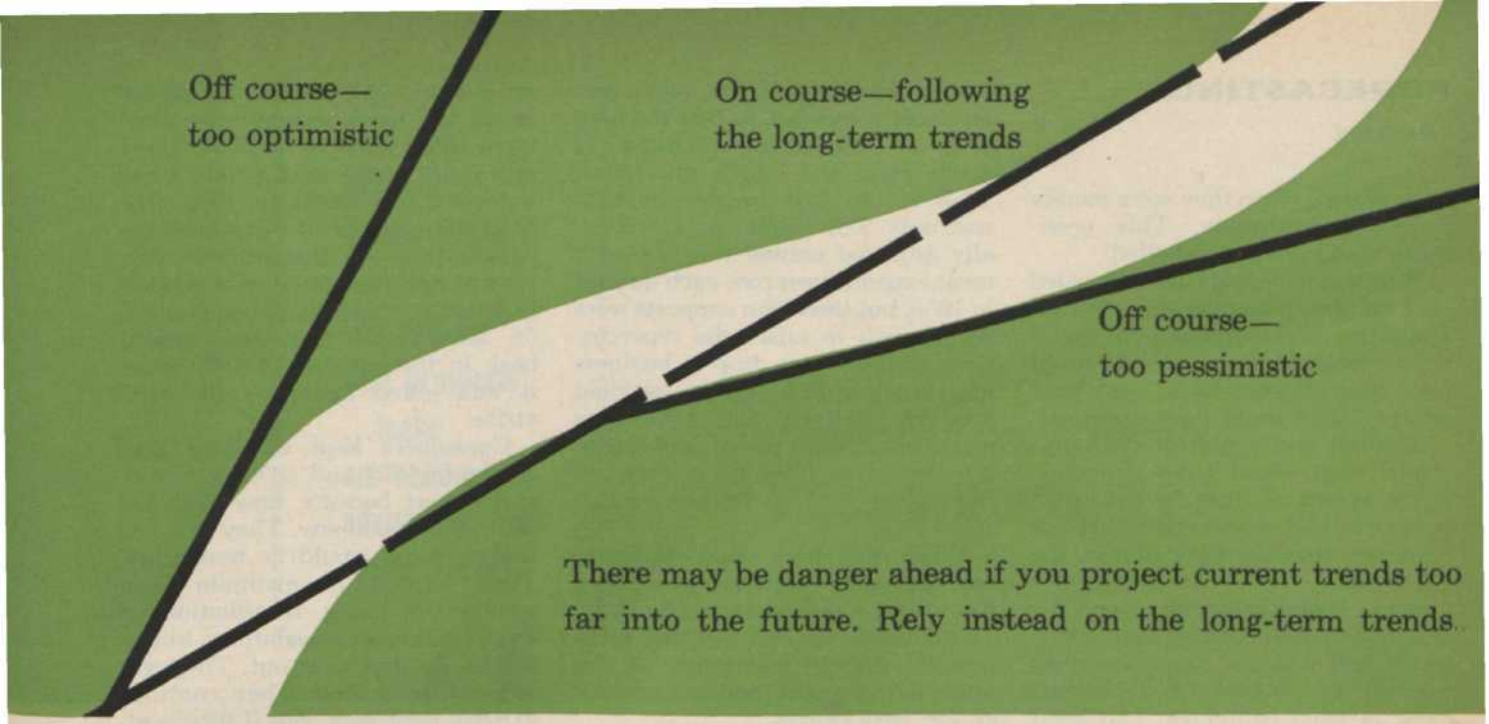
Industry, too, was basically confident. Managers of most firms realized in 1950 that they needed more capacity, and that they would have to expand. In 1955 they realized they would not only have to expand capacity but also spend for new designs and styles. So, even though many of the current reports were depressing, the basic forces were strong.

In looking at 1960, let's consider the basic forces.

Consumers

Personal income has been rising since 1949. The rise was checked temporarily last fall but the low spot was $11 billion higher than it had been in January 1959. Today consumers have about five per cent more money to spend each month than they did a year ago.

They are willing to spend it. Sales in May were three per cent higher than the year before. But consumers are insisting upon good value, good quality and good price. They want to buy, but they are in a position to pick and choose, and if the weather is bad



There may be danger ahead if you project current trends too far into the future. Rely instead on the long-term trends.

they can wait. This was just as true in the first quarter of this year as it is now, though it was not as obvious. When bad weather slowed retail sales in much of February and March, analysts became too pessimistic.

In analyzing consumer purchases, moreover, we should have remembered that retail sales dropped relative to income after the steel strikes of '49, '52, and '56. It took three months on the average after these strikes for retail sales to return to prestrike levels in relation to incomes.

After last year's strike, retail sales dropped about six per cent in relation to incomes. They recovered some of that loss in January. The recovery was checked in February and March, due in considerable part to the weather. As the 1959 steel strike had a much more serious impact on workers psychologically than previous strikes, retail sales could not be expected to return to their prestrike relation to income until possibly May or June. Such a recovery would push retail sales about five per cent above the level of the first quarter of 1959 to about $18.6 billion, while inventories are only about two per cent above that level. Even if retail inventories increased only directly with sales, the volume of wholesale orders later in the year would have to be appreciably greater than the orders in the first quarter. This would affect manufacturers' orders and this in turn would stiffen business decisions on investment in plant and equipment.

Business investment

Business investment plans already are relatively firm and the expansion rate is only two thirds that of the 1956 growth rate. Half of the new investment will be in the auto, chemical, machinery and steel industries. The reasons for the programs in each of these areas are compelling.

The auto industry needs facilities for the "compacts" and changes are needed for the standard models.

The chemical industry needs new capacity for existing as well as new products.

New products, including electronic equipment, are behind much of the push in the machinery industry.

Steel plans a big outlay to cut the costs of producing ingots, and to improve finishing facilities.

It will be easier for plant and equipment expenditures to rise in 1960 than it has been in many previous years. The ratio of such expenditures to the volume of business done is lower than it was in 1955 and 1957. In addition, corporations are relatively well off financially. Retained earnings and depreciation accounts are appreciably above planned outlays. So companies are able and willing to spend. When orders start to rise, most companies will easily be able to finance the expansion they already have said they want and plan.

Government expenditures

Government expenditures for goods and services are expected to rise by about four per cent during 1960. This increase will come despite reduced governmental borrowing. Along with consumers and business, governments are able and willing to buy in 1960.

The basic economic forces at the beginning of the year, therefore, suggested an early resumption of the rise in economic activity.

Two threats did appear. The first was a psychological threat—the danger of fear itself. When retail sales did not rise as expected in February, we forgot that sales had been slow to respond after preceding steel strikes. When steel orders declined, we thought this was dangerous, instead of recognizing it as indicating that business firms had learned not to overbuild inventories as they had after each of the preceding steel strikes. When auto sales did not rise as quickly or as much as forecast, we interpreted this as meaning that consumers were shying away from the market rather than that the forecasters had overstated the market. As a result, some people even regarded the rise in auto sales as a decline.

When orders for machinery and equipment did not rise as soon as expected, we feared that manufacturers

were scared, when they were merely proceeding carefully. This pessimism could have snowballed.

Businessmen could have decided that another recession was with us. Retailers and wholesalers could have canceled orders. People could have been thrown out of work, and another 1958 could have appeared.

The fall and winter of 1957 illustrate what could have happened in the spring of 1960 if short-range prospects had determined business decisions then as they did in the fall of 1957.

Some maladjustments were developing in 1957. Orders for durable goods had dropped from the peak reached in August 1956. Investment in fixed equipment had been dropping behind schedules for a year. It was becoming obvious that business expenditures had passed a peak for the time being. But consumer expenditures were rising slowly. Government purchases also were supporting the economy. They rose steadily through the second quarter, dipped a bit in the third and rose again in the fourth quarter of 1957 and in each quarter in 1958.

While consumers' willingness to buy was still strong, it was more sensitive in the fall of 1957 than it had been at any time since Korea. Living standards had not been rising for some months. As a matter of fact, per capita disposable income in constant dollars went up only about $20 from the first to the third quarter. And newspaper accounts of the prospects for 1958 were gloomy.

Consumers were willing and able to buy at high levels and they did continue to buy but they did not feel impelled to increase their rate of expenditure. They were not willing to increase outlays much for the goods that were offered at the prices asked.

But trouble was not inevitable in in the fall of 1957 or the spring of 1958. In fact, some of the best private and government forecasters thought that business in the fourth quarter of 1957 would be better than in the third.

Nevertheless, trouble came quickly, and in large quantities. Business investment dropped sharply. Inventory accumulation declined. The total of the decline of both fixed and inventory investment from the fourth to the first quarter reached an annual rate of $11.2 billion.

Consumer purchases, on the other hand, held up surprisingly well. Auto sales dropped, but other outlays rose somewhat so that the total drop in consumer purchases of goods from the fourth quarter of 1957 to the first quarter of 1958 was only $2.1 billion at a seasonally adjusted annual rate. Government expenditures rose each quarter in 1958, but these two supports were not enough to offset the repercussions of the severe drop in business investment. The gross national product declined $22 billion as measured in 1959 prices, and unemployment rose from 4.5 per cent in September 1957, to 7.5 per cent in April 1958.

When most basic supports to the economy were relatively good, why did we get a severe decline?

One cause was the fact that businessmen looked too much at the immediate present, and not enough at the basic forces.

If businessmen had looked a year ahead they would have seen more business. By looking three months ahead, they saw a decline. The orders which they did not place, or cancelled, in the fall of 1957 had to be placed or replaced later at higher prices.

Had inventory liquidation not been started in 1957, consumer and government purchases would soon have supported the general level of inventories then held by business. If business had produced as much as it sold, instead of selling from inventories, the additional employment and profits generated would have supported still more business.

A recession could have started in the first quarter of this year if business firms had lost confidence and if they had not provided consumers with more attractive goods than were available in 1959. The news about orders, and about retail sales, was no better in the first quarter of 1960 than in the last quarter of 1957. But businessmen waited through the period of bad news without lowering their sights appreciably. Consequently, the danger passed.

An underlying fear was present at the start of 1960 that was not present in 1957. Labor had experienced the most serious unemployment in 16 years in 1957-58. Then, as a result of the steel strike, it had a second bad fright in 1959. The Michigan Survey of Consumer Expectations shows that workers' confidence in the economy was seriously jolted by the experience of 1957-58. Confidence was just coming back in the summer of 1959 when it was jolted again by the steel strike.

Consumers kept up their purchases in 1957 and 1958 in considerable part because they still had faith in the economy. They believed the recession would be temporary. They wanted to maintain their standard of living. In situations of this sort consumers continue to buy the things that wear out. They will still eat good food. They continue to drive their cars. But if they postpone the purchase of a new TV set or a new car, they do not consider they have cut their standard of living. They have merely delayed replacement of what they already own.

Should the underlying confidence of consumers in the economy be weakened by business cutbacks, the resulting recession could be more like 1937 than '57.

This could have occurred in part because consumers now are relatively well stocked with goods. They want still more, and still better goods, but they can wait until the goods are more attractive and better priced.

If businessmen had turned pessimistic, this would have filtered through to consumers in a hurry. If consumers had been dissatisfied with the quality or the price of the goods available, the results could have been serious.

When supplies in field after field are below demand, pessimism is likely to be limited to small areas or to short periods. Supplies might be more than adequate for a few industries or a few products for a short time, but in general, for the past 15 years, demand exceeded supply and pessimism did not spread far or last long. From now on demand and supply will be so closely balanced in most of the economy that slight excesses of optimism or of pessimism could create unfortunate swings.

This makes it increasingly necessary for businessmen to rely on long-term trends. Watch the fluctuations from the trend, but watch them as fluctuations rather than as factors likely to have validity in their own right. **END**

Labor's organizing aims

for years ahead

are spelled out

in article beginning

on **page 32**

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Adv. Mgr.: How?

Acct. Exec.: Now we can buy *any* combination of over 4,000 Yellow Pages directories all over the country to match our markets — with just *one* contract.

Adv. Mgr.: But we have individual problems in our various markets!

Acct. Exec.: That's another Yellow Pages plus. We can vary our space sizes, and vary our message to meet the competitive needs of our various markets.

Adv. Mgr.: What was that about reaching our best prospects?

Acct. Exec.: The Yellow Pages does just that. People turn to it when they're ready to buy. That's what the Yellow Pages rep called them — our "Ready-to-Buys!"

Adv. Mgr.: And we can really sell them in the Yellow Pages?

Acct. Exec.: Right! New *NYPS* lets us put *selling* ads in local Yellow Pages directories ... ads that tie in and work hard with our national campaign.

Adv. Mgr.: Sounds good. Why not draw up a proposal on *NYPS* for us?

Acct. Exec.: I just "happen" to have it right here with me!

NEW NATIONAL YELLOW PAGES SERVICE

ONE CONTACT / ONE CONTRACT / ONE MONTHLY BILL

LUXURY BOOM

continued from page 34

immediate future, but some company will.

By 1965, families with incomes of less than $5,000—now 50 per cent of all families—may represent less than 45 per cent, and for a large number of these, low income will be only temporary.

Families in this group fall into five classes:

▶ *Those just getting started, just married, or just out of school.* This group tends to live to some extent off its future income. It expects to do better and plans its purchases accordingly.

▶ *Those with temporary problems —an accident, sickness or unemployment.* This group, too, tends to live above its income.

▶ *Older and retired families.* Although these people may live a little above their income, their ability to spend is restricted.

▶ *Marginal farmers.* Their number is dropping. It may go down by 750,000 in the 1960's.

▶ *Those who lack skills, education and social advantages.* In a period that will require rapid upgrading of workers' skills, education and training may raise the income of many but not all of these.

The drop in the number of persons with incomes under $5,000 will have an impact on markets. This group has been a large buyer of used automobiles, for instance. More than 80 per cent of its cars are secondhand. There will be fewer people to buy unprepared foods, dress material and patterns, mass-transit rides or used furniture. Fewer families will paint their own homes, remodel the living room, or landscape the lawn—except by choice.

But, while markets among households with incomes under $5,000 are declining, markets among families with incomes of more than $7,500 are zooming. The income of this group will rise about $15 billion, or 10 per cent a year.

This is really an explosion. It means tremendous increases in sales of leisure time goods and services, motor boats, outboard motors, travel. It means large increases in the sale of labor-saving devices—prepared foods, restaurant meals, kitchen equipment. It means better maintained homes, and better maintained cars.

It also means more bargain hunting. Families with incomes of more than $7,500 can choose their purchases carefully. They do not wait until the car breaks down to make the best deal they can. They buy carefully. They do not have to defend their status by conspicuous consumption. As the income of this group continues to rise, more sales will be based on a combination of quality and utility, rather than either alone.

Sales in the auto industry may illustrate this. As income rose, the need to own a prestige automobile often became relatively less important. Incomes all around were rising. Everyone had an auto. The desire for a second car for utility became more important. By the end of 1958 more than a third of the families with incomes of more than $7,500 had two or more cars. The second car did not need to be big or fancy. It served its purpose better if it was small, maneuverable, parkable, yet comfortable. It was a status symbol all by itself, without chrome and fancy styling.



Sales will not rise with income unless industry as a whole learns quickly that goods and services must be adapted to discretionary purchasing. By 1965, possibly half of all consumer purchases may be discretionary.

The projected rise in sales does not call for a larger growth in consumer services than in sales of goods to consumers. The rise in costs of consumer services has tended to obscure the fact that the amount of services bought has not risen as much as has the purchases of consumer durables, for instance.

On a constant dollar basis, purchases of consumer durables in 1959, which was not a boom year for durables, were 270 per cent of the purchases in 1929, while purchases of services were up only to 226 per cent of 1929.

This is not a new development. Even by 1940 sales of goods had risen far more than sales of services. After World War II the shortage of goods caused the percentage of expenditures for services to decline rather abruptly for a short period. But even today they are below their 1929 ratio. Purchases of goods still account for more than 60 per cent of consumer outlays.

Surveys of consumer attitudes suggest this will still be the case in 1965, and in 1970. The more people achieve, the more their standards rise. They will want 30 per cent more goods in 1965 than they bought in 1959 and, if the economy functions properly, they will be able to buy that amount. This, of course, will require a big increase in industrial capacity. And, as the average age of equipment has been rising, this should mean a big expansion in the output of production equipment to increase capacity by possibly 25 per cent and to improve the quality of the equipment.

It apparently will mean a boom in industrial construction too, because much of the new equipment can be used best if it is advantageously laid out. This will mean new construction, rather than remodeling, in many cases. In the meantime, the outlays necessary to keep existing capacity in good shape, or to adapt it to changing markets, will be growing. Business investment must rise with consumer outlays.

The categories which grow most rapidly will in part be a result of the relative skills, initiative and imagination displayed by various industries and companies.

For instance, it appears that today more than 15 per cent of families have two cars, but only about four per cent have two homes, or a home and a summer cottage. The percentage owning a summer cottage might increase appreciably by 1965—or the sale of trailers to serve this purpose might increase noticeably. Or resort areas might build an increasing number of motels, so that vacationers or week-enders would not want to own cottages or trailers, but would prefer to rent space. Or all three developments might occur.

From World War II to 1958, at least, and for most things until 1960, it has been possible to sell more of basically the same items as each boom rolled around. True, the items had to be improved. But as

two thirds or more of sales went to households with incomes of less than $7,500, mass-marketing techniques, judiciously salted with snob appeal, still worked.

Individuality must be stressed today. A family with an income of $8,000 or $10,000 expects some individuality—not necessarily handicraft, but at least enough that is unique to the product to make it distinguishable from other, similar items. These families seem to include more innovators. Poorer families cannot afford much in the way of experimentation. Richer families may have lost some of the zest for it.

But families with incomes around $10,000 seem to include a high proportion of purchasers interested in new ideas and products. They are informed families. Although they do not buy many fads as such, they are open-minded about trying new ideas which look interesting.

If customers simply wanted more of the same or a little better, sales could rise rapidly.

But the swing in customer preference will make it difficult to achieve market potentials in 1962 unless manufacturers and distributors also change rapidly. With the labor force available and the skills in use, our total output that year should be about $535 billion. By 1965 this should reach $635 billion. For that to happen, consumer expenditures would have to be about $410 billion just to maintain their present ratio. This would suggest an average annual increase of $20 billion, of which roughly $3 billion might be in durable goods, $7 billion in nondurables and $9 billion or $10 billion in services.

To attain this growth we will need a scientific understanding of markets, so that the goods and services which people want can be supplied at prices they are willing to pay.

The total production of goods and services, in 1959 dollars, was $200 billion in 1937. It reached $500 billion this year. It should reach $1 trillion, in 1959 prices, somewhere around 1975 to 1980.

But such a figure will not be reached unless we learn how to supply goods and services in rapidly rising quantities, which rich people, in terms of the 1940's and 1950's, but average people in terms of the 1960's, are able to afford and happen to want. We must shift from mass markets to custom markets for services as well as goods, without losing the efficiency of mass production and of mass merchandising methods.—ROBINSON NEWCOMB

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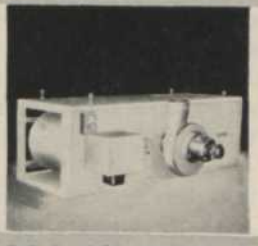
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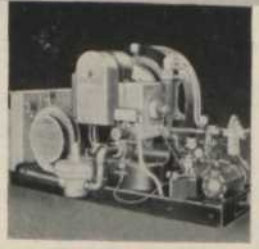
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HERE'S BETTER WAY TO SIZE UP MEN

Substitute objective employe appraisals for bias or body chemistry in your judgments

GETTING AHEAD may depend as much on your compatibility with your boss as on competence, diligence or dedication to your employer's interests.

Obviously, if an employe is incompetent, lazy, irresponsible, and insubordinate, it is less likely that he will gain security, advancement, and salary increases. However, the fact that an employe has the virtues his position requires does not assure that he will be favored.

This is because an employe's career in many businesses is affected more by his personal relations with others than by his qualities or performance.

The key factor is the subordinate's relationship to his immediate superior, who traditionally establishes the criteria of his job and judges how well he meets them. (See "Why You and Your Boss Disagree," NATION'S BUSINESS, May 1960).

In rating a subordinate, the superior is subject to many influences that have little to do with merit. The result can be denial of advancement for a worthy employe. Or, even worse, it can place an executive in a position for which he is not qualified, thus creating a problem for the employer, the misplaced employe and perhaps other employes.

Fortunately, research has produced techniques that minimize the impact of the superior's opinions in rating a subordinate and result in more objective appraisals.

It is generally assumed that the typical superior is constructively concerned with the welfare, growth and development of those who report to him. This is not always the case. If it is clearly to his advantage to aid and develop a subordinate, the superior may do so.

If he does not see this need as acute, he has little or no incentive to develop the subordinate, especially if this requires extra effort. Worse, if he considers the subordinate a threat to himself, he may be strongly motivated to discourage both his development and his recognition by their superiors.

Just as some parents hate and resent their children, so a superior may fear, hate or resent some of those who report to him.

He may dislike his subordinate personally, he may regard him as a threat, or he may resent the fact that he was imposed upon him by a superior or some other agency beyond his control.

The hostilities and resentments may not be open; the superior may not even be aware of their extent and malevolence. All he knows is that he is not entirely comfortable with the subordinate and finds it exceptionally easy to find fault with him.

The consequences to the subordinate may be devastating. Since there are few, if any, objective measures of job performance in middle and upper management, almost the sole criterion of an individual's competence and performance is his superior's often highly subjective opinion.

How bosses see subordinates

The executive's judgments of his subordinates are determined, or at least colored, by a number of factors. Typical is the extent to which the employe:

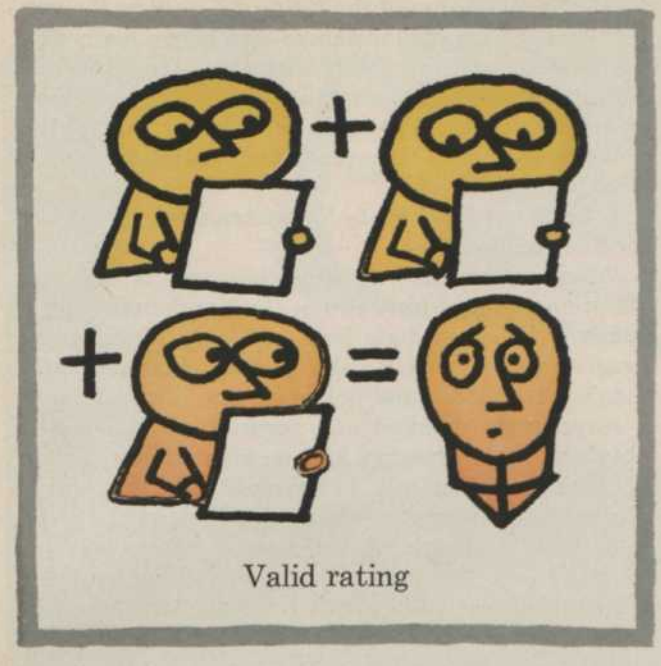
► Conforms to the executive's expectations in cultural level, manner and appearance. As a rule, he is more acceptable if he is slightly below his superior in these respects. The superior then feels more comfortable with him.

► Meets his expectations of performance with the requisite skills, training and experience.

► Does not resemble or suggest someone with whom the superior has had an unpleasant experience or relationship. Thus, for example, if a man's secretary reminds him of an aunt who left him out of her will, he may easily find fault with her. If, on the contrary,



Who are his associates?



Valid rating

she reminds him of a childhood sweetheart, he may also find it difficult to be objective.

▶ Is perceived as an actual or potential competitor. It is conventional in personnel theory to expect each member of management to have prepared a successor. Some fear, however, that their subordinates are too ready and eager.

Research has shown that the traits, qualities and attributes which make a subordinate acceptable to and compatible with his superior are far from uniform. Each executive has his own set of prejudices and standards. This means that a subordinate who will be completely acceptable to and compatible with one superior may be totally unacceptable to and incompatible with another at the same level and for a similar position.

Many companies attempt to evaluate the performance of middle and top management personnel by means of various appraisal or merit-rating techniques. Some are misleading.

This is because few provide adequate control over the influence of favoritism, bias, prejudice, differences in standards and a lack of knowledge of the person rated. Some raters also are naïve or superficial in making judgments. Different raters have different temperaments. One rater loves everyone and judges accordingly, another dislikes everybody. This reflects a lack of uniform standards or criteria of performance.

Sometimes too much value is placed on recent occurrences. For example, a salesman who has just closed a long-sought major account is seen to be superlative; an engineer who has just made a costly and embarrassing error is rated as a failure.

Since every rater is primarily concerned with the reception his appraisals will receive from his superiors, he guards against information which will reflect adversely on him. Hence he tends to state that all of his subordinates are doing well. He may also feel obliged to tell superiors what they expect and wish to hear. Playing politics may help win and hold the support of underlings by rating them better than they are. Some raters pull their punches because they must show appraisals to subordinates and fear they will alienate them.

Some supervisors can't make up their minds concerning a subordinate's performance. Sometimes, the rater believes the employe to be "satisfactory" or "unsatisfactory" but does not know precisely why. Many in management also are given to wishful thinking. "He hasn't done very well thus far, but I just know he'll improve. So, I will not rate him as he is currently performing, but as I expect him to be after he has improved."

Many raters are prone to play it safe by giving neither high nor low ratings. Similarly, many superiors regard all ratings as recommendations. They feel adverse comments are unfair and rate accordingly.

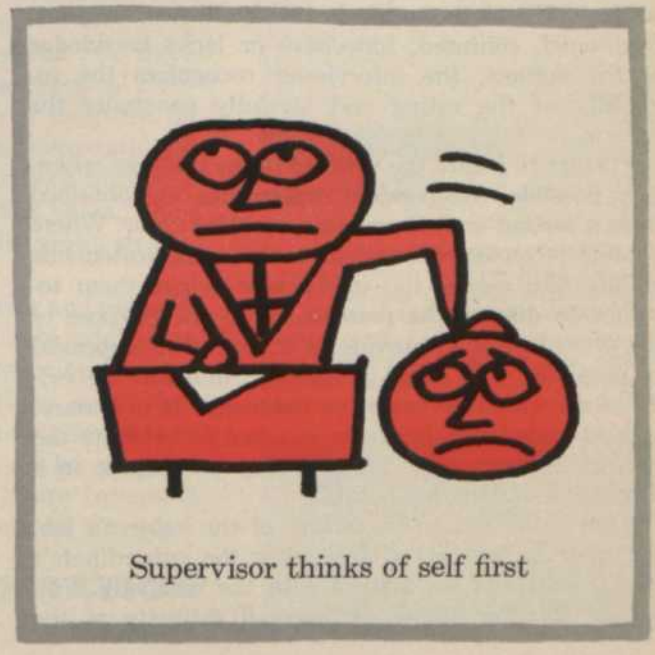
Avoiding placement errors

If mistakes in placement are to be avoided, a revision of the performance-rating procedure must be considered. If it is to have validity, it must provide controls to insure that the rater:

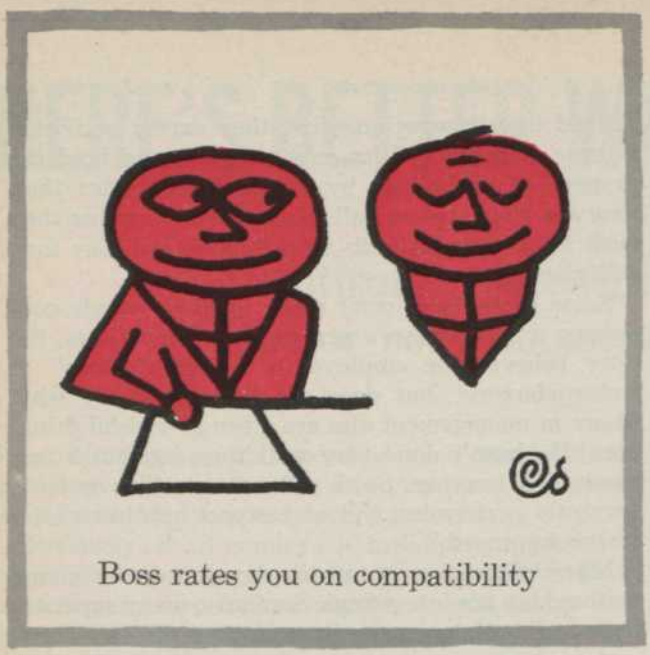
▶ Knows in some detail the job which the incumbent is currently performing.

▶ Has known the person rated at least six months, is superior to him in the management hierarchy, is preferably his immediate superior, and has seen him in action on the job. Buddy ratings by peers are of dubious value in performance evaluation.

▶ Is not asked to make a psychological interpretation of the subject's make-up—to indicate the extent of the existence in him of such intangible attributes as loyalty and self-reliance. Instead, the rater is required only to describe the subject's behavior in a variety of



Supervisor thinks of self first



Boss rates you on compatibility

contexts: "What does he do in an emergency?" "How does he react to criticism?" "How does he conduct a meeting?"

▶ Is subjected to outside control while making his ratings. This is accomplished through the use of a standardized series of questions asked and recorded by an interviewer or interrogator. This is known as the field-review method.

▶ Has any inconsistencies and contradictions in his judgments brought to his attention. If his rating is too one-sided, he can be reminded that everyone has some weaknesses as well as strengths, or vice versa.

▶ Most important, is asked to substantiate his statements. If the rater has said that the subject is outstandingly creative and imaginative, he is asked to indicate just what he has created.

An interviewer can serve as a catalyst and recorder who keeps the rater on the track and checks his inconsistencies. He makes no judgments concerning the subject. When the rater is overly biased, anxious, frightened, confused, indecisive or lacks knowledge of the subject, the interviewer recognizes the invalidity of the rating and tactfully concludes the session.

Further to insure the validity of the findings, whenever possible, independent evaluations are obtained from a second and, if necessary, a third rater. Where notable inconsistencies occur between the statements of any two raters, the interviewer brings them together to discuss the reasons. Since the purpose of the procedure is to provide as objective an appraisal as possible, each rater is asked to indicate the evidence on which he bases his judgment. If necessary, a third knowledgeable rater is asked to evaluate the subject. Subsequently he, too, may participate in a discussion of disputed points.

After establishing the nature of the subject's job, the rater is first asked to review the subordinate's background and his history with the company. Following this he makes an over-all estimate of the quality of the subject's performance, enumerates his principal strong and weak points, and describes how he performs the various aspects of his work.

At the conclusion of the rating, he reviews the subject's off-the-job circumstances—his home, his health, his finances and his habits—makes a second over-all rating, estimates his suitability for line or staff work and indicates whether he is or is not promotable. If he believes him to be promotable, the rater states to what, when and why.

If he is not believed to be promotable, the reasons for this are also given.

When information of this character is obtained about an employe from two or three superiors—one of whom is his immediate boss—not only is a comprehensive and relatively valid picture obtained of the man's performance and potential, but, of equal value, a surprisingly detailed and accurate picture is also obtained of his superiors who have rated him. This is because the latter talk freely and at length, unconscious of the degree to which their judgments reveal their own standards of performance, their personal anxieties and insecurities as well as outline the types of personalities with whom they can or cannot be compatible.

Typical is the railroad superintendent who, in appraising a trainmaster, said, "He is the finest man in my district; he never takes the slightest action without coming and asking me first."

Demands of the job

If an employe is to be properly placed, not only is it imperative to obtain a clear and comprehensive measure of him and his presumed potential to fill other positions, but it is equally important to ascertain the demands of the new job and the expectations of his new supervisor. This information may be obtained from several sources.

Formal job descriptions are sometimes helpful. A statement of his conception of the job's duties and responsibilities and the scope of the incumbent's authority by the prospective superior will often be illuminating.

As an indication of the types of persons with whom the prospective superior is compatible, it is necessary (as was noted centuries ago by Machiavelli) to observe the kinds of people with whom he has surrounded himself and is comfortable.

As a further check on the new superior's standards and expectations, it is helpful to ask him to appraise several of his present subordinates. This will supplement the picture of the kinds of persons with whom he is compatible and give his reasons for his preferences.

With the information in hand about both subordinate and supervisor, a matching of man, job and superior is not only possible, it is not too difficult. Furthermore, it should promote the recognition of merit and minimize favoritism in every aspect of preferment.—ROBERT N. MCMURRY

REPRINTS *of "Here's Better Way to Size Up Men" may be obtained for 10 cents a copy or $7.00 per 100 postpaid from Nation's Business, 1615 H St. N. W., Washington 6, D. C. Please enclose remittance.*



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Executive Trends

Training pays unexpected dividend

"Students" returning to their companies from executive development courses are bringing back more than improved personal skills. They are also bringing back specialized knowledge which their firms can use to build corporate self-sufficiency.

Dr. Nathaniel Stewart, management authority and writer, says the latter is permitting many businesses to do themselves what they formerly would have hired specialists to handle. Examples: preparing for labor negotiations, tooling up for office automation, organizing for overseas operations. With ideas and knowledge trainees have acquired, companies can put together "do-it-yourself" kits.

"Many companies had not anticipated this by-product on their investment in outside management development programs," Dr. Stewart says. "They are gratified to reap the extra dividends."

► While cutbacks have been made in some types of executive development programs, interest in off-the-job training continues high. The American Management Association has increased its budget to handle an expanded program of seminars, reports heavy registration for its new product managers course. (A recent study on the status of the training profession made by Harry S. Belman and John E. Bliek of Purdue—in collaboration with the American Society of Training Directors—shows growing acceptance of training specialists within companies, and indicates many training men move by promotion or lateral transfer to other company functions.)

Marketing tip: Check product life span

Market researchers should step up their efforts to learn how long their products last after they're sold, according to Prof. Donald R. G. Cowan of the University of Michigan School of Business Administration.

Professor Cowan says the consumption factor—or life span—of products often is overlooked when sales estimates are developed. Where most companies have good data on the birth—or production—rates for their products, many lack information on usage or death rates for durable goods.

He cites a recent study which shows the life expectancy of various consumer goods: electric refrigerators, 15 years if bought new, eight years if bought second hand; electric ranges, 15 years and six years; gas ranges, 15 years and eight years; electric washing machines (automatic and semi-automatic), nine years and five years.

► Records of annual sales and inventories of business equipment can be used in similar fashion to develop a survival curve for capital goods, Professor

Cowan states. In a special study on "Growth Aspects of the Steel Industry to 1970," which Professor Cowan is currently writing for The Brookings Institution, these survival curves have been incorporated in estimates of future capital outlays of the steel industry.

What's on the boss's mind

Control of business costs is the principal headache of America's top managers.

A NATION'S BUSINESS survey of high-ranking executives in leading companies reveals this. The problem of controlling costs received more mentions than any other single factor in replies to a question on the most pressing company-wide problems anticipated for the 12 months beginning last July 1.

The Management Information Service of the American Management Association says this finding tallies with its own measurement of items of greatest current interest to management. Robert Boody, an AMA staff specialist on cost control, says interest in cost control reached a peak in the 1957-58 recession and has never really declined since.

"Companies have simply stayed interested," Mr. Boody says. "They are seeking to make control of costs a continuing, permanent responsibility. This is a notable break with the old approach to cost control, which meant scrutinizing them only when times were tough." In many firms, standing cost-control committees have been set up.

► What are some guidelines for effective cost control? Mr. Boody says the most important rule is to hit the big items first and not spend too much time on the small drains on profits. "Labor costs should be given particular attention," he says, "because for many firms they constitute from 60 to 70 per cent of total costs and, unlike materials, are most responsive to control."

Mr. Boody recommends seeking ways to take the labor content out of production and stresses good training as a method for avoiding waste and scrappage which result when workers are inadequately trained.

Criticizes nation's business schools

Business schools have been too eager to adopt ideas from the business community rather than following their own intellectual convictions.

That charge is leveled by Associate Professor Albert K. Steigerwalt, University of Michigan business historian.

In view of this "other directedness," Dr. Steigerwalt predicts that business schools will show an increasing concern for political science in their curricula "not because political science is a valid discipline, but because businessmen are now expressing an interest in it . . . that is assuming epidemic proportions."

Dr. Steigerwalt believes business schools should relate management courses more effectively to political science, history, and other basic academic disciplines. "Education for business should be broadly based," he asserts. (See "New Methods Will Improve Business Skills," NATION'S BUSINESS, February.)

► In a related context, Lloyd J. Haynes, a vice president for public relations in Michigan Bell Telephone, recently said that only liberal arts colleges can produce leaders with the qualities business needs for future survival and prosperity.

He said the humanities are the courses to produce men with the needed intellectual, personal, social and ethical qualities.



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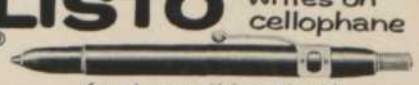


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ENCOURAGING LEADERSHIP

If you are a businessman, if you employ others, if you are a member of a business organization, or if you are an executive of a business organization, here is something you will be interested in knowing about—the National Chamber's annual program of *National Recognition Awards*

NATIONAL RECOGNITION AWARDS are presented each year to honor and encourage business firms and voluntary organizations which make a notable contribution toward community betterment, and toward strengthening free enterprise. There are four categories:

1. *PROGRAM OF WORK—Open to Local and State Chambers of Commerce*

National Recognition Awards are made to local and state chambers of commerce for outstanding achievement in planning and conducting a well-balanced and productive program of work, resulting in a more useful organization, citizenship and leadership development, community improvement, and a better climate for the operation of business.

2. *ECONOMIC UNDERSTANDING—Open to Business Firms*

National Recognition Awards are made to business firms for outstanding achievement in strengthening employee-employer relations, and in building a better understanding by employees of the American free-market economy and how it functions in their best interests, and in the best interests of customers, stockholders, management and the community.

3. *FIRE SAFETY—Open to Local Chambers of Commerce*

National Recognition Awards are made to local chambers of commerce for outstanding achievement in planning and conducting an effective year-round fire safety program to improve the fire protection of the community, to eliminate the causes of fire, and to reduce loss of life and property by fire.

4. *ASSOCIATION ACTIVITIES—Open to Trade and Professional Associations*

National Recognition Awards are made to trade and professional associations for outstanding achievement in planning and conducting association projects which contribute to the good of business and the good of society at the national, regional, state or local level.

Materials for Study—The factual materials which the National Recognition Awards program brings together each year—case histories and information about successful programs and procedures—are classified and preserved in the National Chamber's library. These materials are available on a loan basis to organization managers and businessmen for their study, use and guidance.

Presentation Date—The National Recognition Awards for 1960 will be presented at a special ceremony at the National Chamber's 49th Annual Meeting in Washington, April 30-May 3, 1961.

Deadline for Entries—The closing date for entries in this year's National Recognition Awards program is February 1, 1961. But now is the time to write for full information about the category for which you are eligible—and for information about how to participate in the program.

BUILD TOMORROW'S WORK FORCE TODAY

Planning needed to profit from shifts in job patterns

THE BUSINESSMAN who prepares now to deal with the surprising changes that demands for new skills will bring over the next few years will do much to strengthen not only his own company, but the country as well.

To understand the kind of action needed, we must first understand what is happening to individuals, to unions and to public opinion.

A good deal has been said about the increase in the number of people available for work—when the war babies reach working age beginning around 1964. But as more young people come into the labor force each year, more older men will also reach retirement age.

The total number of new jobs to be created each year will not be any larger in the mid-1960's than it was in the late 1940's. Then, however, the total labor force was much smaller, so that the new recruits represented a larger proportion. We should have no problem absorbing all the new entrants into the work force, given reasonably stable business conditions.

But the kind of people we will get in important job categories will fail to match the kind of people we will need.

Supply and demand may match the closest in respect to technical, managerial and professional employes—the people who normally start work after college.

In our metropolitan areas half of all young men between 18 and 20 today attend college. Yet shortage is more likely than a glutted market; whatever business and government fail to absorb in the next ten years, teaching will. The colleges alone will have to find as many new teachers in the next ten years as are now on all faculties. For just as it takes a lot of steel to create a steel mill, it takes a lot of educated men to turn out educated men.

Outlook for unskilled

Quite different, however, is the supply-demand situation with respect to the unskilled workers, whether in clerical or in plant work. We now know that the great technological changes we are going through, such as automation, do not mean fewer jobs. But they certainly mean fewer unskilled or low-skilled jobs.

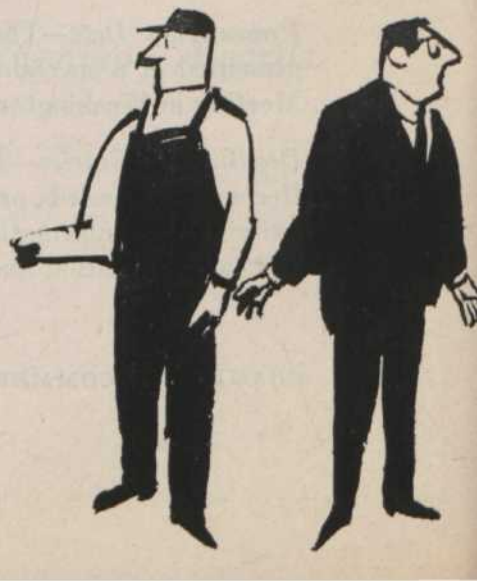
This is particularly true in clerical work. Electronic data processing in a bank does not, we are learning, cut the number of employes. But, instead of ledger clerks and file clerks, the bank now needs computer programmers and electronic technicians.

Five years hence, even with economic growth at a high rate, we may actually have fewer people in unskilled work. But there will be no drop in the supply. An increasing proportion of the unskilled will be women under 25, interested in a husband rather than a career, but also older women with half-grown children, who look for simple work, full-time or part-time, particularly when times are good. An increasing number will be Negroes and Puerto Ricans. But total numbers of people available for unskilled work, and in most cases only for such work, will not fall.

The greatest problem we face is with respect to skilled workers. Every forecast of our work force for the next five or ten years assumes a fairly sharp growth in the demand for skilled men, continuing the trend of the past 15 years. But the supply

Labor and management will face dual challenge of a dramatically different





of craft-trained men is dropping. Already skilled workers are the oldest group in the labor force, and the new ones, the skilled workers of tomorrow, are simply not coming. The boy who 30 years ago went into an apprenticeship now goes to college. Once he has a college degree, he joins the ranks of the technicians and is no longer available for skilled work.

Impact of technology

Technological change will also create new and different skills and do away with a good many of the old skills.

Tomorrow the centuries-old way of printing by impressing ink by mechanical force might be replaced by processes in which an electronic beam or heat produce a chemical change in a printing surface. Such a change would create highly skilled work. But whole skilled professions such as typesetters, lithographers, pressmen would become superfluous.

Similarly, we know that mass building requires organization of the work by entirely different skills. It demands people skilled in laying a foundation; people skilled in erecting the shell of the house. It requires skilled interior finishers. But these are different skills from the traditional ones of plumber, carpenter, electrician, mason or bricklayer.

In every one of the groups needed for mass building, some of the skills of these traditional crafts would be needed. But in no one group would there be room for a man specializing in one of the traditional crafts.

The technological changes now under way may alter the very concept of "skill." Historically, a skilled man was someone who had learned an existing craft. Tomorrow it may be someone who knows how to develop and learn new crafts. Instead of millwright, mechanic, electrician and boilermaker, we may need people who have the skill to work out any new task involving metals. Instead of masons and carpenters we may need people capable of developing and learning all building skills—present and future. A hundred years ago, we invented the "engineer"—the man trained in designing all mechanical tools rather than the tools of one craft alone. We may now have to invent the "craftsman"—the man capable of doing all mechanical work.

About two out of every five youngsters have a high enough I.Q. for a liberal education. According to the head of one of the country's largest apprentice-training programs, "just about as many have a high enough S.Q. (Skill Quotient) to be liberally skilled. By insisting that they learn one task rather than skilled work altogether, we throw away this resource. We probably keep the ones with a S.Q. in the genius range out of skilled work."

Age distribution may be as important as composition of work force and job structure. An age chart of our labor force during the 1960's looks like an hour glass. The age group from 30 to 45—traditionally the largest—will actually shrink. But the number of old people will grow quite a bit. The main growth will be in the young persons under 30, so that the American labor force will rapidly become younger during the 1960's.

These young people are not just younger in age. They are different people. The generation jump is great between men of 45, whose formative experiences date back to the 1920's and to the depression, and the men of 25 who can hardly remember World War II. The new generation comes to work at a much later age than its elders—up to seven years later, on the average, what with more education and military service. It comes to work already married in many cases, if not with children. It probably does not understand much more than its elders about the marvels of this age, about electronics or a rocket to the moon. But it certainly takes these things for granted.

What do the young people expect? What do they take for granted? How will they behave? We really do not know.

All we do know is that in practically every business these youngsters will be the dominant age group in a few years.

Makeup of labor force

We will be less and less able to speak of "the American labor force." Our labor force used to consist of a few fairly homogeneous large groups. The semiskilled machine tender could work on the automobile assembly line one day and in a building materials plant the next. He was a multipurpose resource. His son, with a degree in chemical engineering, is much closer to being a single-purpose resource. If an employer needs computer programmers, the "abundant supply of good labor," which so many areas advertise, does not help him greatly.

In respect to the kind of work done, whether technical, skilled or unskilled; in respect to age structure; and in respect to specific oc-

generation of workers in a period of great technological change



cupations, the work force, even in a fairly small business, is likely to splinter into tight compartments between which there is little interchange. Each group may gauge the economy differently. Each may have different expectations of pay, benefits, or opportunities.

"The real labor relations problem," the personnel director of a large electronic company asserts, "is not between our workers and managers, not even between the union and management. It is between the skilled men in the plant, who are by and large middle-aged, and the engineers and technicians who are young enough to be their sons. The engineers, for instance, get more money but at the same time they feel they have fewer opportunities. The skilled men, on the other hand, see their craft threatened by work of the engineers.

"The two groups simply do not understand each other. How could they? The skilled men went to work when jobs were scarce; the engineers only know a world in which eight college recruiters run after each man who has learned to finger a slide rule."

All this means tense and unreliable unions.

The industrial unions in the mass-production industries—steel, automobiles, rubber—will increasingly feel that they can make no concessions. The new jobs the technological changes create are largely filled by people who traditionally do not join an industrial union; and many of the old members will not be capable of learning the new skills. The fact that more and more of the members will be minority-group people will not make things any less emotional.

But a much worse problem may be created by the craft unions. Anything management can do to overcome the shortage of skilled men will run head-on into the deeply entrenched beliefs and traditions of these unions. It is not difficult to imagine the reaction of a printing-trade union to a technological change that would abolish type-setting, or the reaction of a building union to a change that would abolish separate electrical installations.

American labor unions will go through this turbulent period while themselves being in a deep crisis of leadership. Today's union leaders were at or near the top in 1940, 20 years ago.

Where are tomorrow's leaders? The answer is: "Nowhere." There is not one major union in which the next generation of leaders is visible, not one in which people today are being trained to take over from the leaders of today. Few young men go into union work.

"A boy as bright as Walter Reuther was 30 years ago," says one of the elder statesmen of the AFL-CIO, "would not go into the union today. He would go to graduate school and straight into management."

Union office is no longer a sacred cause. It is just another job.

We face, therefore, a period of weak and disputed union leadership. But a weak union leader is a troublemaker. Insecure in his position and power, he tends to cover up his nakedness with demagoguery. Worse still, he rarely has either will or power to make a contract stick.

The setting in which union and management will operate—together or against each other—will change, too. The political climate has already changed.

What's profit picture
for months ahead?
Question is answered
in Management's
Washington Letter.
For report, turn back
to **page 7**

Most labor leaders still assume that the American public is either pro-labor or pro-management. So do most industrial managers. A few years ago this assumption was tenable. Today it is a parody.

Americans are not, as a whole, anti-labor; but they are not pro-labor either—just as they are not pro or anti pliers. They see in the labor union precisely what they see in pliers: a special-purpose tool, useful for some things but useless for most others. The public equally is neither pro-management, nor anti-management. It sees management as necessary (has indeed much more respect for management's economic competence than most businessmen would believe). It neither puts a halo around the boss nor endows him with a tail and cloven hoofs. It is a sober, skeptical, unenthusiastic public with a rather jaundiced view of both managements and unions.

An economist at a large state university has for 30 years asked his students: "Who in your opinion has made the greatest contribution to the economic and social welfare of the American people? Government? Management? The labor unions?"

Between them, management and unions used to account for some 80 per cent of the votes. In the past few years, however, there have been more write-in votes saying simply: "No one of the three."

One of the most important things we have to learn, especially in management, is that to most Americans the world is not divided into management and labor. They can conceive of being pro both or anti both. This is particularly true of our new majority: the technical, professional and managerial people. These people consider themselves employes but not labor. To them neither management nor labor makes much sense as a foundation for political, economic and social action.

New economic climate

Economically, too, there is a new climate. For the first time since 1890 there is danger of our becoming incapable of competing in the world market; a danger created, not by communism, but by the rapid increase in the productivity of the old industrial countries. Whatever the reasons for this development, it is, obviously, a major danger. A crisis of the dollar would be about the nicest present we could make to the communists. Whatever the remedies, we must restore our ability to compete in the world market. Protecting the domestic market is not enough. Every tenth American worker looks for a customer abroad, every fourth one depends on raw materials bought abroad. The only way to pay for them is by American exports. Whatever the explanations for this development, wages, fringe benefits and work rules have certainly something to do with our competitive position.

Increasingly, our ability to develop wage costs and productivity that maintains our competitive position will become a test of the American economy, of the free-enterprise system throughout the world, if not of all free society.

Industrial relations will not only have dangers and conflicts. They will also offer opportunities to the businessman. Here are a few:

1. Personnel practices can be made to create the desirable attitudes in the work force of tomorrow, the young people who, by and large, do not come in with the attitudes of their elders nor into the

jobs held by their elders. This requires a critical look at employe communication. We will no longer have a homogeneous labor force in most businesses.

Yet, most employe communications talk to one public only. Does it really make a great deal of sense to send to graduate physicists and chemists the annual report to employes which explains the economic facts of life in terms of dividing apples at a children's birthday party?

2. Businesses can—and some do—take advantage of changes in population and job structure to build the kind of work force they want.

A leading appliance manufacturer, for example, is systematically hiring men older than 45 who have a difficult time finding a job. His slogan is: "We pay for experience rather than for promise."

The American Telephone and Telegraph Company is employing women over 45, usually with grown children, for its stock transfer and new-issue work. It has found them ideal employes. The fact that this is irregular work with peaks at one time and little to do at others is an advantage rather than a handicap for these women.

A major pharmaceutical company is systematically recruiting Puerto Rican girls as laboratory technicians. It sends Spanish-speaking recruiters to the New York City high schools and offers trainee jobs to the brightest girls. The response has been tremendous.

"We never had better or more enthusiastic people," according to the research director of the company.

3. Even a small business needs to think through its industrial-relations goals. Where would we want to come out eventually? How realistic are these goals? Are they more than pleasant dreams? What concessions can we make? And what do we want to get in exchange? When do we placate and when do we fight?

Industrial-relations goals are not easy to attain, but neither are marketing objectives or product-development goals. Like most goals, they probably never will be attained. But they give us a compass bearing. With unions jittery and labor leaders likely to be weak, this will be particularly important. In such a period it is particularly dangerous, and particularly tempting, to say: "This concession doesn't cost money; all we give up is principle."

In such a period real leadership by management—realistic, intelligent and imaginative—has a chance of acceptance by, and support from, the company's employes and from the American people at large.

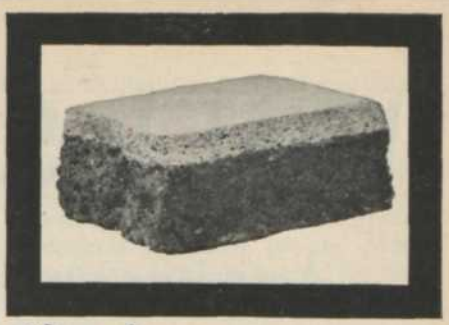
4. Management leadership is particularly needed in respect to employe benefit areas. Today benefits tend to follow the same formula for all employes, regardless of age, kind of work or need.

For teen-age girls in a retail store or at the telephone switchboard, even the most generous company pension plan is not a benefit, however. They cannot imagine a worse fate than to be still in the company's employ—and presumably unmarried—at age 65.

Uniformity of benefits, regardless of the needs of the individual employe or of specific employe groups, may explain why many workers are not interested in them, know little about them, and do not appreciate them. Things are different in Europe. There benefits, traditionally, have been different for different employe groups, and have been focused on specific needs. Of course, a given sum of money buys only so much. But any insurance policy has options. What we need in the benefit area are such options whether for the individual or for different employe groups.

5. Finally there is the biggest job: to get across to labor leaders and to other Americans that ability to compete is as important a criterion in wage costs and labor relations as ability to pay. Productivity, we will have to re-learn, is not turning out more things per hour, but producing greater economic value per consumer dollar. We have to learn again that the benefit of increased productivity cannot be given to the producer altogether, whether he be capitalist or worker. It must be shared with the consumer, in the form of lower prices or better quality. This alone can, in the long run, guarantee our competitive strength.

Our international economic position makes this necessary. And the change in the political climate may make such a change a practical possibility. The change would, of course, go far beyond labor relations. But it would have to start there. And if the turbulence of our labor relations in the 1960's makes us learn again that labor economics without market economics at home and abroad are not economics but pure illusion, it will have blown a great deal of good to the American economy, the country and the Free World—and, above all, to the American worker.—PETER F. DRUCKER



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WHAT U. S. DOES FOR AGED NOW

Activities are expanding under welfare pressures

UNCLE SAM ALREADY is deep in federal activities to aid the aged.

The current political emphasis on socialized medical payments to older Americans has obscured the breadth of existing federal programs for this segment of the public.

In the span of a single generation, the federal government has built a $15 billion a year superstructure of government activities to help our 16 million citizens who are 65 or older.

The federal benefits range from job help to tax privileges and from artificial limbs to mortgage insurance. The estimated cost of various programs ranges from $14 billion for retirement payments to $475 million for health care to $49 million for housing to $35 million for employment.

Still more plans will be promoted in the near future to give the government an even larger role in the life of the aging. Legislation has been sought in Congress, for example, to set up an entire federal agency just for handling problems pertaining to old people.

This federal trend has developed despite the fact that many existing or proposed functions have traditionally been the responsibility of an individual, his family, private, religious or civil organizations or community or state bodies.

The trend is accelerating although population experts predict that by 1970 the rise in the proportion of older citizens will decline to a steady nine per cent of our population, and more aged then will be better able to support themselves and probably will know more about handling their problems.

The White House Conference on Aging to be held next January will analyze—among other things—what part Uncle Sam should play in the future of aging citizens.

Here is a rundown on the present federal activities, programs and benefits for the aging:

Health and welfare

Probably best-known of the federal programs for old folks is what's popularly called social security. This is the depression-born insurance system under which benefits are paid to eligible recipients from a trust fund financed by workers and employers.

This program is administered by the Social Security Administration, which also operates the federal-state program of public assistance to the needy elderly.

Seventy per cent of the population more than 65 years of age now get payments under either social security or public assistance, or both.

Federal-state supported public assistance in some states has been broadened to include foster-home care and recreation programs.

In addition, the Social Security Administration does extensive research into financial, medical and other problems of the aged.

The Railroad Retirement Board and Civil Service Commission also administer retirement programs for former railroad and federal workers.

The Public Health Service is giving increasing research attention to diseases that often strike the old: cancer, heart ailments, arthritis and rheumatism.

The Public Health Service conducts programs of grants for working with the chronically ill and aged and for construction of new medical facilities and nursing homes. Through its National Heart and Mental Health Institutes research, it explores the aging process.

It makes research grants to schools, hospitals and laboratories and awards fellowships to doctors and scientists.

The Department of Agriculture does special studies on nutrition and diet of the aged.

The Office of Vocational Rehabilitation makes grants to state rehabilitation programs to help get disabled workers back on the job. Nearly one third of these workers are aged. Training, counseling, therapy and artificial limbs are provided, as well as living and traveling expenses, if the disabled oldster can't afford them himself. The Office of Vocational Rehabilitation also supports research on rehabilitation of older workers.

Veterans' pensions or compensation now go to almost one out of every 10 persons 65 or older. Since complete federal medical care is available for veterans with service-connected disabilities, many older veterans are taking advantage of this. Even those veterans with non-service-connected disabilities can get VA hospital treatment if they are unable to pay for it.

The Veterans Administration does research into the aging process and rehabilitation work in an increasing amount as the age level of veterans increases.

The U. S. Office of Education helps states and universities develop programs to meet vocational and educational needs of older people, gives grants for research in gerontology and prepares material relating to educational needs of older people.

Fraudulent sales appeals for quack remedies for diseases often are aimed at the aged. The Food and Drug Administration tries to prevent mislabeling and tests new drugs. This work serves the interest of the aged.

Employment

The Department of Labor's Bureau of Employment Security gives special attention to older workers (45 or older) who often face discriminatory hiring policies. About 1 million older workers are placed in jobs each year and about 175,000 a year get job-counseling interviews through the federal-state public employment services.

The Labor Department also conducts activities to promote greater public understanding of the employment problems of older men and women. The Department's Women's Bureau does considerable research on the subject and has devised a community action program to encourage employment of mature women. The Bureau of Labor Sta-

tistics has been doing research to find out about work performance of older workers and to determine how automation and provisions of collective bargaining agreements affect them.

The Small Business Administration provides information and advice about possible ventures for retired people who want to start their own businesses. It has lending authority to finance such businesses where private loans can't be obtained.

This agency also gives financial aid to privately owned small hospitals and nursing homes which have trouble arranging financing. This indirectly helps potential older patients.

No age ceiling exists for hiring new employes in the classified competitive Civil Service of the federal government. Also, retired federal employes can be rehired by the government regardless of age if they are qualified for a position.

The Agriculture Department makes special studies of farm residents' provisions for economic security in old age including, for instance, ways for developing partnership arrangements with younger members of the family to run the farm.

Tax benefits

The Internal Revenue Code provides important tax privileges and relief amounting to about $770 million yearly for older citizens.

A person 65 or older doesn't have to file an income tax return unless his income exceeds $1,200, compared with the $600 filing requirement for younger persons, because the older person gets a double exemption. So a husband and wife who are more than 65 are allowed exemptions amounting to $2,400.

Social security benefits and railroad retirement pensions aren't subject to federal tax at all.

However, such benefits reduce the retirement income credit. Under the credit provision, retired people can claim a credit of up to $240 each on income such as that coming from dividends, interest and rent.

Those 65 or older who itemize deductions may deduct all their medical expenses up to $5,000 rather than only the expenses exceeding three per cent of adjusted gross income allowed for younger taxpayers. A taxpayer who is 65 and disabled may deduct up to $15,000 in medical expenses (or $30,000 on a joint return) instead of the $5,000 maximum for others.

U. S. tax statutes also encourage private pension plans. Employers are permitted to deduct, within certain limits, their contributions to these plans; and employes don't pay tax on the employer's contribution to their future pension until they are paid the benefits under the plan.

Housing

Special provisions to help older people buy houses, to encourage rental housing designed for the aging, and to make low-rent public housing more accessible to the elderly have recently been written into the housing laws.

It's now possible for a person 60 years old or more to buy a house with a mortgage insured by the Federal Housing Administration by having a friend or relative make the down payment. If an aged person can't qualify as a good mortgage risk, a third person can become a co-signer of the mortgage.

The Public Housing Administration helps local housing authorities provide public housing with accommodations for older people. More than 80,000 families headed by persons over 65 now live in public housing.

Both profit-seeking and nonprofit organizations, such as churches or labor unions, can get FHA mortgage insurance on all or most of the cost of rental housing projects in which at least half the dwelling units are designed for older tenants.

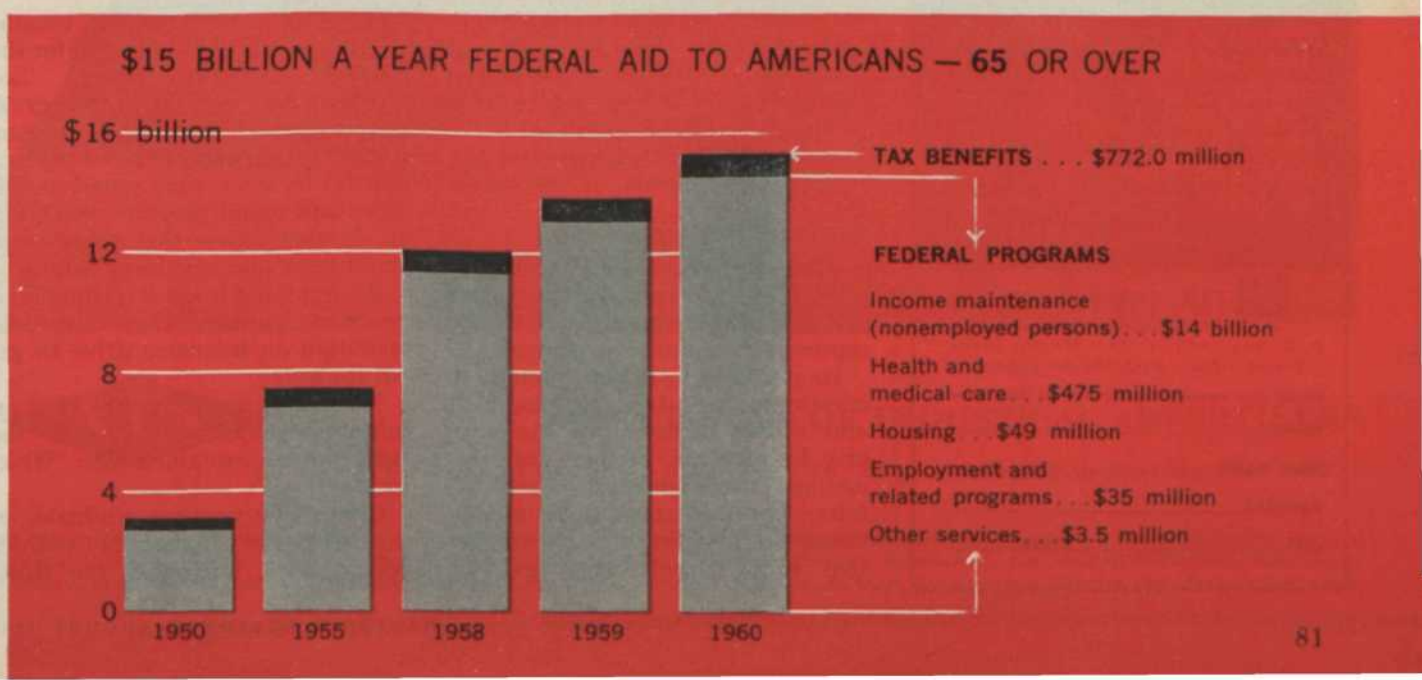
A new program of direct loans from the Housing and Home Finance Agency for rental housing for the elderly is available to private nonprofit borrowers. This was provided for in the Housing Act of 1959.

This measure also authorized a new program of FHA-insured nursing home construction.

The Housing and Home Finance Agency does studies of housing requirements for the elderly and has an advisory committee of professional people.

Besides the work of the various federal agencies and departments, an interagency unit made up of cabinet officers is charged with reviewing existing programs and recommending priorities and emphasis for meeting future needs. It is called the Federal Council on Aging.

In addition, a Special Staff on Aging has been set up in the Department of Health, Education and Welfare to serve as a clearing house for information on all aspects of aging including activities in the field on state and local levels. **END**



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WIN AN ELECTION

continued from page 39

over, his popularity in the community was put to a rugged test. At the height of the race, one of his supermarkets was struck. Not only did this tend to force an emotional wedge into the heavy labor population of the town, but it kept the young grocery executive working 20 hours a day at the store and unable to seek votes.

When his store was struck, Mr. Crabb told Mr. Harvey and others in the campaign that, since this would probably hurt the Greater Carlsbad Ticket, he would pull out of the race. But his fellow candidates flatly turned down his offer.

"You were qualified to run before the strike, Arnold," one of them told him. "You're no less qualified now."

The other two men on the Greater Carlsbad Ticket were incumbents running for re-election to the council. They added experience and strength in several ways:

Ralph Callaway is a youthful-looking 45. He owns his garden supplies and nursery business and has been active in community affairs for the 20 years he has lived in Carlsbad.

He helped organize the Junior Chamber of Commerce and served as its president, first in Carlsbad, later in the whole state. He was a delegate to the New Mexico Democratic convention and has been a director of the local Chamber.

A. G. Boyce, a shrewd, gray-haired power plant operator for U. S. Borax & Chemical Corp., is a long-time union man who knows how labor thinks and feels.

He has negotiated contracts as a member of the Machinists Union, has been on the Democratic County Central Committee 10 years and serves on the Board of Memorial Hospital in Carlsbad. His wife is well known for her work with the Campfire Girls. Mr. Boyce and Mr. Harvey are friends of 15 years.

Range with purpose

The Greater Carlsbad Ticket represented a wide range of experience and breadth of appeal, but it also represented a unity of purpose.

Its platform included promises to encourage industrial development and attract industry to the city; give harmonious, efficient and economical administration of city affairs; improve street and recreational facilities; improve the municipal water supply and drainage troubles, and give unbiased attention to all residents' problems.

The opposition slate—the Progressive Ticket—was headed by Dwight Lee, a local petroleum distributor and city council member. It included two potash miners, a building contractor and a furniture dealer.

The Progressive Ticket attacked the long-range industrial development and water improvement program, scored alleged waste in city government and attacked city officials for conducting their affairs in "secrecy." The Progressive candidates promised a mass firing of municipal personnel.

The Greater Carlsbad Ticket took the offensive quickly with a positive and coordinated program to explain the issues to the public. It pointed out through press, radio and television the importance of further industrial development and diversification and the need for continuing with the water system improvement plans for which preliminary work had already been done. The Ticket and its supporters explained that, if key municipal personnel were ousted, these trained people would be replaced by inexperienced new employes. Probably more workers would be needed. This would increase the cost of government, and efficiency and service would be reduced.

City officials disputing the Progressive Ticket's charges pointed out that the town was operating strictly within its budget, was in excellent financial condition and known throughout the state for its sound fiscal practices. It noted that no secret meetings were held, that all council sessions were open and attended by public and press.

The organization

Two local businessmen became co-managers of the campaign for the Greater Carlsbad ticket: Lee Downey, political veteran and druggist, and A. J. Brandon, a roofing company manager. The campaign strategists knew that sound candidates and sound program won't win an election unless the voters know about them and cast their ballots.

So, applying another principle of practical politics, they put into operation an intensive drive to get out the vote.

"We went on the theory that an informed majority will vote the right way," explained Mr. Whitlock.

One of the younger graduates of the Chamber's practical politics course, slim, blue-eyed Joe Rose,

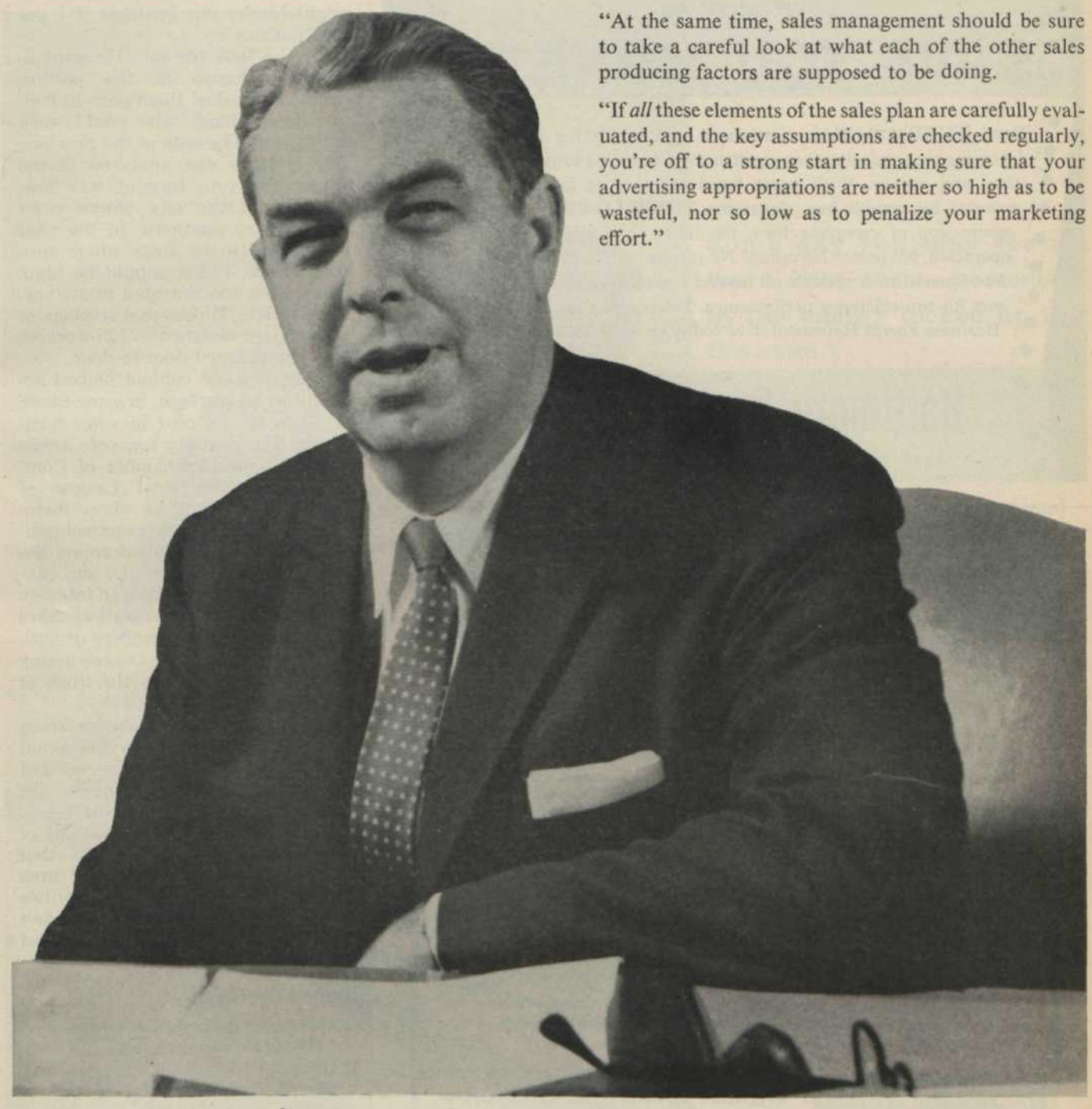
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"At the same time, sales management should be sure to take a careful look at what each of the other sales producing factors are supposed to be doing.

"If *all* these elements of the sales plan are carefully evaluated, and the key assumptions are checked regularly, you're off to a strong start in making sure that your advertising appropriations are neither so high as to be wasteful, nor so low as to penalize your marketing effort."



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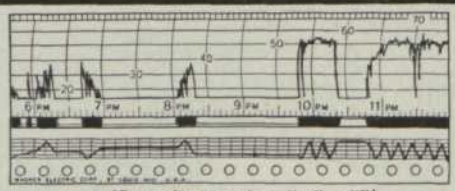
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WIN AN ELECTION

continued

was picked for a key role in the vote drive. The 29-year-old Mr. Rose is a partner of Rose Gravel Co. and a native of Carlsbad.

"I was pretty scared at first about taking on the assignment," he admits. "I slept on it for days, wondering over and over whether it might hinder our business if I got into politics."

But he took the job. He went to other graduates of the politics course and asked them each to contact four friends who could work with them. The vote of the previous city election was analyzed to see where the vote turnout was low. Sections of the city where voter turnout was apathetic in the past turned out to be areas where support of the Ticket should be high. They were concentrated in six voting districts. Blocks and sections of blocks were assigned to 120 workers who campaigned door-to-door.

This personal contact helped account for an increase, in some cases, of 30 to 40 per cent in voter turnout in the formerly low-vote areas.

The Carlsbad Chamber of Commerce and the local League of Women Voters—28 of whose members had the course in practical politics—took the lead in informing the electorate about the issues and candidates and building citizen interest. Though neither organization takes any partisan role, members of both the Chamber and the League acting as individuals were in the thick of the campaign.

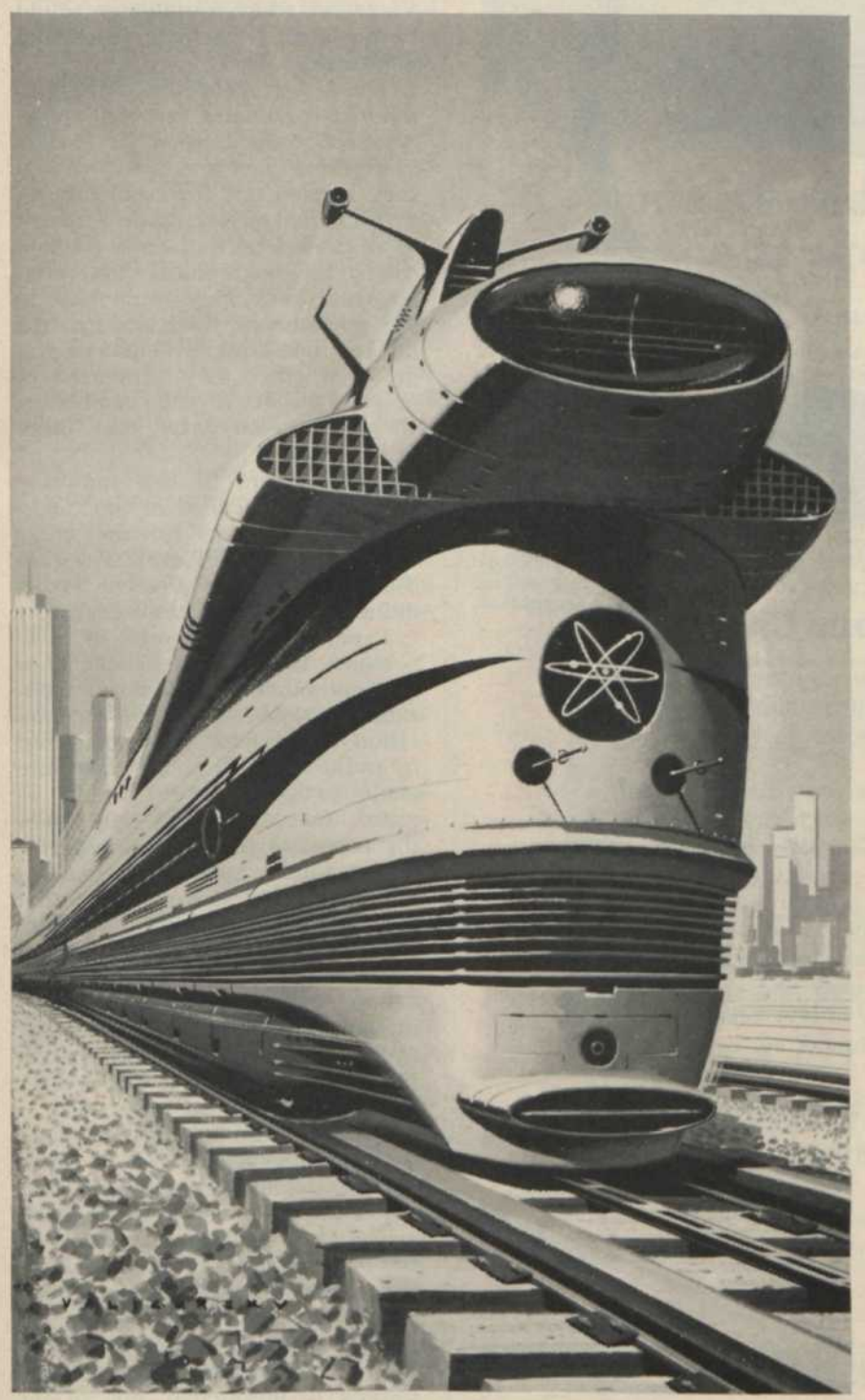
Though many local businessmen had thought it best to avoid political participation, after word of the practical politics course got around many changed their thinking to agree with the viewpoint of E. O. Moore, Jr. He insists that "business should have the same privilege to be partisan in politics as any other group. We shouldn't hesitate to say whom we're for and why."

Informed citizenry

A variety of techniques was used to stimulate voter interest, inform the city of the views and qualifications of candidates, and appeal for support.

A letter was sent to all property-owners five days before the election addressed: "Dear Shareholder." It explained that property-holders are shareholders in the city, that electing a city council is similar to electing a board of directors. Then

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Some day you may see a train like this—powered by the energy locked up in the atom.

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"As a businessman, you have a double responsibility to make your views known; to express your opinion on issues which affect the welfare of your business and your community. You have a double responsibility to help build healthy grass-roots for the sound economic future of our country.

"That's why I urge you to join and support your local Chamber of Commerce. You'll find out how best to make your views known . . . and you'll find it's a satisfying and rewarding experience."



Pete Progress

Speaking for your
local Chamber of Commerce

WIN AN ELECTION

continued

it noted that the city's board of directors faced momentous problems. The letter told the property-owners how they could become informed on what was at issue. It urged that they attend a meeting sponsored by the League of Women Voters at which candidates would be questioned on their views and platforms.

The letter urged the citizens to examine candidates' records as businessmen, councilmen, civic leaders or working men and see how well they carried out their obligations.

A detailed questionnaire was sent to all candidates in the city election asking for biographical data, what changes, if any, they would make in city government, their views on the present industrial development program, whether they supported or opposed a water revenue bond issue, their views on taxes and other issues.

The answers to this questionnaire were published in the *Carlsbad Current-Argus* for the whole Greater Carlsbad Ticket. The candidates on the Progressive Ticket did not answer the questionnaire.

Panel shows composed of businessmen, clergymen, teachers, labor men and others in different occupations discussed the issues on television. Spot quizzes were conducted by radio in which phone calls were made to citizens who would be asked, for example, if they knew the names of the men running for mayor. Catchy spot announcements reminded voters frequently that election day was near. Greater Carlsbad candidates stated their views on city affairs.

Some 200 posters were displayed in stores with such messages as: "Wanted: Citizens who care enough to vote," and "Don't be a P.C. (poor citizen). Vote."

Telephone campaigns, with neighbors phoning neighbors, and transportation committees to drive people to the polls were also set up.

The *Current-Argus* carried a series of front-page articles explaining what the voters had at stake in the election.

When the campaign got under way, campaign contributions began coming in unsolicited, one of the strategists reported. After the election, Progressive Candidate Dwight Lee said it was money that won the contest for the Greater Carlsbad Ticket. But Oscar Dowling, vice president of Security Savings &

Loan Association, who headed the finance drive for the Greater Carlsbad Ticket, said only $3,470 was contributed and the largest contribution was $150. He said it was all spent for advertising, printing and paying workers for transporting voters to the polls and checking registration lists.

After their smashing success in practical politics on the city level, the Carlsbad business leaders kept their political momentum rolling right into the Democratic primary campaign in May.

They supported and campaigned for still more graduates of the practical politics course and directors of the local Chamber:

Caswell Fincher Neal, an attorney and expert in water litigation, had never held public office but had been president of the Jaycees, chairman of the First Methodist Church and a Chamber director. He ran for state senator against an official of the electrical union in the Carlsbad potash local.

Jack H. White, president of White's City, which is a complex of motor court, service station, restaurant and souvenir stores near Carlsbad Caverns, ran for re-election as a county commissioner, covering the county with hand-shaking tours and phone campaigns.

Elmer Skinner, owner of an industrial supply house, vice president of the Chamber and a former mayor of Carlsbad, ran for state legislature.

Walker Bryan, a motel and restaurant operator, also stood for reelection to the state legislature.

As further proof of their effectiveness in the political arena, Carlsbad business leaders saw all four candidates winners by big margins as 55 per cent of the registered voters in the county cast ballots. Nomination is almost equivalent to election in heavily Democratic New Mexico.

From their test run in the school bond election in February to the municipal election victory in April to the confirmation of their success at politicking in the May primary, Carlsbad businessmen have proven that, by participation, they can best keep self-government on local, state, or national level our way of life, and that practical politics is the key to political success. **END**

REPRINTS *of "How to Win an Election" may be obtained for 15 cents a copy or $10.15 per 100 postpaid from Nation's Business, 1615 H. St. N.W., Washington 6, D. C. Please enclose remittance with order.*



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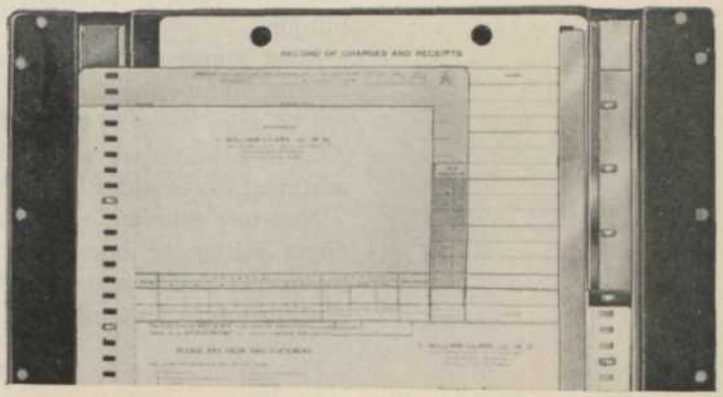
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OUTLOOK FOR CONSUMER SPENDING

DRAMATIC INCREASES in sales by the nation's retail stores will be realized by 1965, if current trends continue.

Retail sales this year should exceed $225 billion, compared with $215 billion last year and only $144 billion ten years ago. By 1965 sales should zoom to $285 billion—27 per cent above this year's expected volume.

Stated another way, retail sales by 1965 should reach $24 billion a month, compared with $19 billion now, and the number of customers should reach 200 million, 20 million above the present figure.

The basis for these impressive projected gains are established trends in retail trade, as revealed by data just now available from the 1958 Census of Business. This information shows our 1,788,325 retail stores had 1958 sales of $199.7 billion, 8.6 million employes, 1.8 million proprietors, and a $21.6 billion annual payroll.

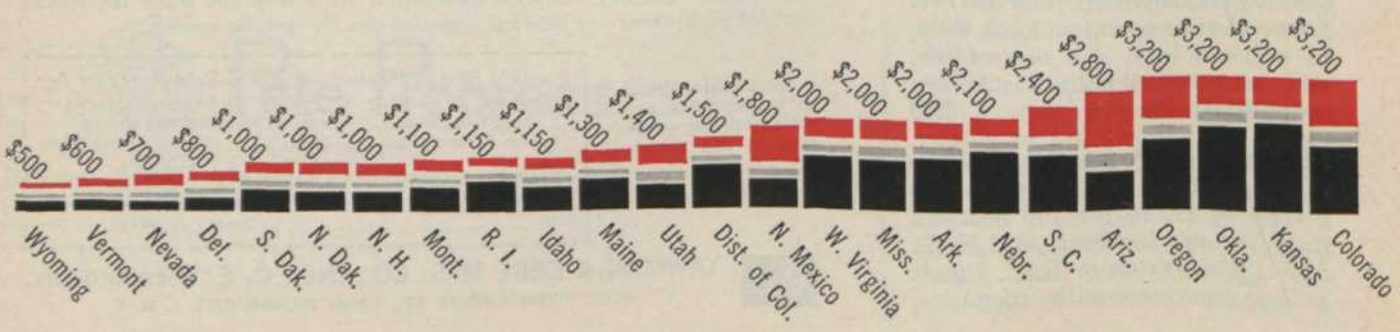
Analysis of the statistics in the 1958 census points to continuing sharp sales gains in numerous fields, but most notably in the areas of leisure and hobbies. (See "Fight for Sales Changes Marketing Methods," NATION'S BUSINESS, July). As millions of additional Americans acquire the basic "package" of goods—home, automobile, etc.—their demands for more specialized goods and services increase—hence the stepped-up purchases of such things as boats, outdoor furniture, foreign vacations. Sales of such luxury items can be expected to continue to grow at a fast pace. (See "Get Ready for the Luxury Boom," page 34.)

The Census data show that New York State rang up the most sales in 1958, totaling $20.8 billion, followed by California with $20 billion. Illinois had sales of $12.8 billion; Pennsylvania, $12.3 billion; Ohio, $10.9 billion; and Texas, $10.8 billion. Among the less populous states, Vermont had $443 million in sales; Wyoming, $416 million; and Nevada, $408 million.

Most numerous retail establishments were grocery stores and delicatessens, numbering 259,796, with 1958 sales of $43.7 billion. Near the top in sales were 93,656 automotive dealers with $31.8 billion in sales, 206,302 gasoline service stations with $14.2 billion sales, and 3,157 department stores with $13.4 billion sales.

Nonstore retailers accounted for $5.4 billion in sales, including 63,977 direct selling or house-to-house organizations with $2.6 billion, 2,550 mail order houses with $2 billion and 8,152 merchandise vending machine operators with $842 million.

Sales by 1965: Figures are estimated 1965 retail sales in millions of 1960 dollars. Black portion of bars shows 1954 sales level; gray, the additional sales in 1958; red, additional sales expected by 1965



Sales per establishment averaged $111,700 for all types of stores, but highest in volume were department stores, averaging $4,232,000 per establishment.

Countrywide, there was one retail establishment for every 96 customers, but among the states Vermont had one for every 77 persons, New Hampshire one for every 78, and South Dakota one for every 79. However, Utah had one establishment for every 116 persons, Mississippi one for every 117, and Alabama one for every 118.

Sales per establishment averaged $111,700 for the entire United States, but ranged from $141,600 in California, to $76,200 in Arkansas.

There was one grocery store or delicatessen for every 667 persons, one gasoline service station for every 840, one eating place for every 754, and one drinking place for every 1,510.

Sales of all retail stores averaged $1,165 per capita in 1958.

Between the 1954 and 1958 retail censuses, sales volume increased 17.5 per cent, with the Pacific and Mountain states each having a 25 per cent increase, and the South Atlantic states a 24 per cent increase.

Florida led the states with a 45.5 per cent sales increase, followed by Arizona, up 41.1 per cent, and California, up 27.9 per cent.

Retail payrolls grew 18.7 per cent, the number of stores was up 3.9 per cent, and the number of customers up seven per cent.

Reflecting increased spending for leisure and hobbies, sporting goods stores chalked up a 41 per cent increase, and camera and photographic supply stores a 37 per cent increase.

Book stores showed a 30 per cent increase, and optical goods stores sales were up 42 per cent.

Per capita purchases in retail stores averaged $1,165 for the entire United States during 1958, ranging from $1,583 in Nevada to $683 in Mississippi.

By 1965 California retail sales should lead those of New York by a substantial margin, based upon current population and sales-per-capita trends. Texas should pass Ohio in sales, and Florida, Louisiana, Colorado, New Mexico and Utah should each move several notches nearer the top.—FRED D. LINDSEY



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goods are high, too. For example, the ruble buys only about two or three cents' worth of clothing, compared with its over-all average buying power of about 10 cents.

By comparison, the average worker in America makes about $5,000 a year and spends about 18 per cent of his pay on food and about 15 per cent on housing.

To meet living costs, most Russian families have at least two wage earners. In addition, the workers often resort to theft and black marketeering to get more income.

V. A. Getman, a trade official in Kharkov, wrote *Izvestia,* confessing all, because "I realize and can see now how empty and pointless my life is."

To get shoes for the government store where he worked he had to pay the man at the depot a ruble a pair, otherwise he would be "in danger of not fulfilling the sales plan." Sometimes the depot obligingly upgraded second or third grade shoes so the store could make a profit on the side. Other times, the store upgraded the goods itself.

Even in the industrial economy, where the USSR has concentrated its efforts, serious errors occur.

For example, *Izvestia* says, "It is inadmissible that the state continues to lose one billion rubles a year because of primitive production methods for fasteners, produced by 1,350 enterprises."

A far bigger drain on the economy is noted in another article:

"Improvement of rubble, sand and gravel for essential reinforced concrete structures has not yet been organized. The low quality of aggregates in reinforced concrete products led to an overexpenditure of 1.4 million tons of cement in 1958 alone. This loss is equivalent to the output of two large cement plants.

"This leads to unproductive expenditures reaching four billion rubles a year. These losses will inevitably be increased unless serious measures are taken."

In an economy such as this, what are the actual chances of matching U. S. production by 1970, as Mr. Khrushchev has predicted?

Barring a prolonged depression reducing output here drastically, most experts say there's no chance.

To sum up the prospect, Mr. Dulles embellishes one of Mr. Khrushchev's own colorful comments: "It would be as though the shrimp had learned to whistle." **END**

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GET INTO THIS PROFITABLE MARKET

MODESTY is not often listed among American frailties. Yet, in world trade we have conceded that everybody is our superior. The Swiss are better bankers; the Germans more adaptable; the Japanese more ingenious; the English have more finesse in world affairs.

Such views have cost us some $7 billion over the past two years. That is the difference between what we spent and what we sold abroad. As a result of this drain, world bankers now regard the dollar as a problem currency and predict its devaluation.

Only overseas sales can make this prediction inaccurate. This puts the dollar's future squarely in the keeping of American businessmen. Government can help, and is helping, but producing and selling goods is not a government function.

It is a function in which American businessmen excel at home. A few have demonstrated that they can do equally well abroad. But a few is no longer enough. The need now is for every businessman with a product or service that is salable overseas to sell it there.

That is not as difficult as it sounds.

"Foreign trade" is a forbidding phrase and its practice has some diversities and complexities. It adds to these with a vocabulary of terms like blocked currencies, balance of payments, arbitrage, the gold point, foreign exchange, language barriers and import restrictions. We have also magnified both the mistakes our businessmen have made and the triumphs of our competitors abroad.

But while we hear these things a small western company is selling soft ice cream dispensers in a constantly widening overseas market; a Louisiana company is selling $350,000 worth of paper stock, cotton linters and woolen rags in a half dozen countries; a company with 12 employes sells laboratory pumps in 10 countries; a loading equipment company calls its export department "the gravy train" and increases foreign sales 30 per cent each year.

These firms went out on their own to lure the foreign customer. Those who start now will have help. Nearly 300 businessmen are participating in a program to explore new business opportunities abroad. The 33 regional offices of the Commerce Department are expanding their services; chambers of commerce of several cities are holding foreign trade seminars; trade missions and trade fairs are arousing interest in and thirst for American products. The Export-Import Bank has expanded export credit facilities.

Even with this advice and help, every business cannot sell its whole line abroad—or sell even part of its line everywhere. But research, originality, ingenuity and progress have given every successful American company at least one product that would be welcomed in at least one foreign nation.

And a customer is a customer whether he lives across town or across an ocean.

By checking their own chambers of commerce or Commerce Department regional offices for foreign trade information, American businessmen will be able to locate these customers, expand their own markets and assure the world that the dollar is no longer a monetary problem child.

Companies of every size use International Trucks

. . . for the same good reason!

INTERNATIONAL Trucks have earned their reputation for quality and durability as leaders in the heavy-duty field.

Now, today, businesses of every description use 'em. For light hauling, for city delivery, *for any truck job.*

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INSTANT DECOR

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Created by Designs for Business, fabricated by Detroit Partition Company. over five lineal miles of these partitions are used on 15 floors of the new Time & Life Building in Rockefeller Center.

A distinguishing feature of the system is its integral, clip-in lighting and shelving. Vital to the system are aluminum extrusions of custom design. Working with both designer and fabricator, Olin Aluminum contributed to the extrusion design, made the dies, produced and shipped the extrusions to meet exacting deadlines. For more facts, write Olin Aluminum, Architectural Sales.

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